Supreme Court, U.S.
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No. _____

In the
Supreme Court of the United States

JAN R. COYLE and KOLBET LABS,
Petitioners,

v.

ELECTRONICS FOR IMAGING, INC.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the United States Court of Appeals for the Federal Circuit unconstitutionally concluded that Petitioners were subject to specific personal jurisdiction in California for Respondent's declaratory judgment action?

2. Whether the United States Court of Appeals for the Federal Circuit deprived Petitioners of their due process protections under the 5th and 14th Amendments to the United States Constitution—by relying upon and aggregating "other activities" apart from cease and desist correspondence—in holding that Petitioners were subject to specific personal jurisdiction for Respondent's declaratory judgment action?

3. Whether the United States Court of Appeals for the Federal Circuit deprived Petitioners of their due process protections under the 5th and 14th Amendments to the United States Constitution—by applying a divaricated analysis of *International Shoe* as to whether Petitioners had both "purposefully directed" activities to California and "purposefully availed" themselves of California law—in holding that Petitioners were subject to specific personal jurisdiction for Respondent's declaratory judgment action?

4. Whether the United States Court of Appeals for the Federal Circuit deprived Petitioners of their due process protections under the 5th Amendment and 14th Amendment to the United States Constitution—by applying a divaricated analysis of *International Shoe* as to whether Respondent's declaratory judgment action "arose out of or related to" purported minimum contacts with California—in holding that Petitioners were subject to specific personal jurisdiction for Respondent's declaratory judgment action?

PARTIES TO THE PROCEEDING AND CORPORATE DISCLOSURE STATEMENT

The parties to the proceeding are set forth in the case caption. Respondent Electronics For Imaging, Inc., is a publicly traded corporation. Petitioners Jan R. Coyle and Kolbet Labs are without sufficient knowledge to know whether any publicly owned corporation owns more than ten percent of the stock of Electronics For Imaging, Inc.

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Petitioners respectfully petition for a Writ of Certiorari to review the decision of the United States Court of Appeals for the Federal Circuit (the "Petition for Certiorari").

OPINIONS BELOW

The August 18, 2003, panel opinion of the United States Court of Appeals for the Federal Circuit is reported at 340 F.3d 1344 (Fed. Cir. 2003), and is reprinted at App. 1a – 18a. The March 27, 2002, opinion and order of the United States District Court for the Northern District of California is an unpublished opinion, which is reprinted at App. 19a – 30a.

STATEMENT OF JURISDICTION

The original opinion of the United States Court of Appeals for the Federal Circuit was filed on August 18, 2003. Petitioners invoke the jurisdiction of the United States Supreme Court pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

This case involves the following constitutional and statutory provisions, which are set forth at App. 31a – 32a.

1. U.S. Constitution, Amendment V;
2. U.S. Constitution, Amendment XIV, Section 1;
3. 28 U.S.C. § 2201(a); and
4. Cal. Code Civ. P. § 410.10.

STATEMENT OF THE CASE

I. FACTS MATERIAL TO THE QUESTIONS PRESENTED.

A. The Parties to the Proceedings.

Petitioner Jan R. Coyle ("Mr. Coyle") is an individual who

resides in Carson City, Nevada. Mr. Coyle is the manager of J&L Electronics, LLC ("J&L Electronics"), a Nevada limited liability company, which is also located in Carson City, Nevada. Mr. Coyle and J&L Electronics research, develop and market computer technology advancements. Mr. Coyle is a successful originator of several patents, including but not limited to United States Patent No. 6,337,746 (the "'746 Patent"). The '746 Patent issued on January 8, 2002,[1] and patented claims that can be used to more efficiently control electronic instructions, commands and interfaces between computers and digital printers and copiers. J&L Electronics is the assignee of the '746 Patent.

Petitioner Kolbet Labs ("Kolbet Labs") is a sole proprietorship owned by Daniel Kolbet, which operates and is located in Reno, Nevada. Mr. Kolbet is a resident of Sparks, Nevada. Mr. Coyle engaged Kolbet Labs to assist in researching and developing the '746 Patent and related technologies. Kolbet Labs assigned any and all interest held in the '746 Patent and related technologies to Mr. Coyle. Where appropriate, Mr. Coyle and Kolbet Labs are collectively referred to as "Petitioners."

Electronics For Imaging, Inc. ("EFI") is a Delaware corporation, headquartered in Foster City, California, with offices throughout the world. EFI dominates certain important sectors of the printer controller industry, and is a self-proclaimed world-wide leader as an original equipment manufacturer of software and hardware for network printing. EFI's clients include virtually all global manufacturers in the printer controller industry. In the United States, EFI distributes

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[1] Mr. Coyle initially filed United States Patent Application No. 08987212 (the "'212 Patent Application) on December 9, 1997, which subsequently issued as the '746 Patent. Mr. Coyle hired two different California law firms to prosecute the '212 Patent Application.

its products through a nationwide web of equipment distributors and dealers. Many, if not all, of EFI's manufacturing clients and equipment distributors and dealers have a market presence in Nevada and target residents of Nevada to purchase EFI's products and technologies.

B. The Underlying Conflict Arises From Contacts In Nevada.

The underlying conflict is based on Mr. Coyle's assertion that EFI infringed the '746 Patent and misappropriated trade secrets related thereto.

Mr. Coyle initially contacted EFI in late 1997 to discuss the subject technology of the '212 Patent Application. Mr. Coyle explored EFI's interest in purchasing the subject technology for EFI's printer and copier controller industries. In September 1997, and in January 2000, EFI entered into separate non-disclosure agreements (collectively the "NDA's") with Mr. Coyle. Mr. Coyle executed each of the NDA's in Nevada. Under the terms of the NDA's, EFI promised not to disclose or utilize confidential information or technology relevant to or derived from Mr. Coyle's trade secrets, including but not limited to technology contained in the '212 Patent Application and, later, in the '746 Patent. A copy of each NDA is set forth at App. 33a - 36a and App. 37a - 40a, respectively.

Following Mr. Coyle's initial contact, a representative of EFI traveled to Reno, Nevada, to review the subject technology. The representative subsequently stated that EFI would be interested in further discussions after the '212 Patent Application had been processed and the '746 Patent issued. This visit prompted execution of the first NDA in September, 1997. EFI and Mr. Coyle agreed to further business-related discussions after the '746 Patent issued.

Nevertheless, while the '212 Patent Application was pending, EFI made several inquiries—all of which were

directed to Mr. Coyle in Nevada—regarding possible business transactions involving the subject technology. These discussions led to execution of the second NDA in January, 2000 and to a second visit to Mr. Coyle by a representative of EFI. During this same time period, Mr. Coyle's California attorney contacted EFI, based on EFI's stated interest in being kept abreast of progress on the '212 Patent Application.

By request of EFI, Mr. Kolbet and Dr. William Avery, both as independent contractors of Mr. Coyle, visited EFI's California facility on December 13, 2000, to demonstrate the subject technology. However, without any explanation, EFI prevented Mr. Kolbet and Dr. Avery from completing the requested demonstration, and invited both men to leave EFI's facility. Neither Mr. Kolbet nor Dr. Avery ever discussed or disclosed the subject technology or the '746 Patent with EFI in California. Moreover, after the brief encounter between Mr. Kolbet, Dr. Avery and EFI, neither Mr. Coyle nor any other representative or independent contractor of Mr. Coyle's or Kolbet Labs's ever returned to EFI's California facility.

C. EFI Violates the NDA's and Misappropriates Trade Secrets.

In June 2001, based upon certain sales and marketing activities by EFI, Mr. Coyle learned that EFI was in all likelihood infringing the '746 Patent. To confirm his suspicions, Mr. Coyle purchased an "EDOX" print control manufactured by EFI (the "Infringing Article") from a retailer in Reno, Nevada, at a cost of nearly $17,000.00.

At the request of Mr. Coyle, Mr. Kolbet and Dr. Avery assisted in reviewing the Infringing Article in order to determine if it constituted an infringement. After intensive examination—all of which occurred in Nevada—Mr. Kolbet and Dr. Avery determined that the Infringing Article incontrovertibly infringed the '746 Patent. Mr. Coyle

subsequently notified EFI, both telephonically and by mail, to cease-and-desist its infringing activity, or to enter into an agreement to purchase or license the '746 Patent, related to EFI's manufacture and marketing of the "EDOX" print control.

On December 5, 2001, in response to Mr. Coyle's demand, a representative of EFI traveled to Nevada to negotiate the terms and conditions of an agreement with Mr. Coyle. At this meeting, EFI's representative stated that a negotiated price of $18 million for such an agreement was "in the ballpark." In reliance upon EFI's representations made at this meeting, Mr. Coyle did not file suit against EFI in Nevada.

However, EFI never consummated any agreement with Mr. Coyle. Rather, despite engaging in negotiations and inducing Mr. Coyle to believe that it was negotiating in good faith, EFI filed a declaratory judgment action one week later in the United States District Court for the Northern District of California.

II. SUMMARY OF THE PROCEEDINGS BELOW.

On December 11, 2001, EFI filed a Complaint For Declaratory and Injunctive Relief (the "Complaint"),[2] praying for (a) invalidity of the '746 Patent, (b) no breach of the NDA's, and (c) no trade secret misappropriation.[3] A copy of the Complaint is reprinted at App. 41a – 53a.

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[2] EFI's Complaint was brought pursuant to the Declaratory Judgments Act, 28 U.S.C. § 2201(a).

[3] J&L Electronics, Inc., as assignee of the '746 Patent and its related technology, filed suit against EFI in the United States District Court for the District of Nevada, on February 25, 2002 (the "Nevada Action"). EFI subsequently moved to dismiss the Nevada Action for want of jurisdiction, which the court granted. J&L Electronics has appealed the district court's decision to the United States Court of Appeals for the Federal Circuit, which case is presently pending as Cause No. 03-1466.

On March 27, 2002, the United States District Court for the Northern District of California (the "District Court") entered an Order Granting Defendants' Motion to Dismiss for Lack of Personal Jurisdiction, finding that Mr. Coyle and Kolbet Labs had neither taken deliberate action within California nor created continuing obligations to EFI, and concluding that EFI had failed to establish that Mr. Coyle and Kolbet Labs purposefully availed themselves of California. *See* Appendix "B."

EFI subsequently appealed the District Court's Order. On August 18, 2003, the United States Court of Appeals for the Federal Circuit (the "Federal Circuit") entered an Opinion and Judgment (the "Opinion and Judgment") reversing the District Court, holding that EFI had established a prima facie case that Petitioners were subject to specific personal jurisdiction, and remanding the case for further proceedings. *See* Appendix "A."

REASONS FOR GRANTING THE PETITION

I. SUMMARY OF THE BASIS FOR GRANTING THE PETITION FOR CERTIORARI.

A declaratory judgment action presents unique and controvertible issues involving specific personal jurisdiction, for which intervention by the United State Supreme Court is both warranted and necessary. Supreme Court Rule 10 articulates considerations which may be used in determining whether to grant certiorari. One consideration is that a "United States court of appeals has decided an important question of federal law . . . that conflicts with relevant decisions of this Court." A second consideration is that a "United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter . . . ." Both of these considerations exist in this case.

In the Petition for Certiorari, Petitioners present three separate, distinct and compelling issues for resolution by the Supreme Court. First, in determining that Petitioners were

subject to specific personal jurisdiction for EFI's declaratory judgment action,[4] the Federal Circuit deprived Petitioners of their due process protections under the 5th and 14th Amendments to the United States Constitution by relying upon and aggregating "other activities" apart from cease and desist correspondence, in holding that Petitioners were subject to specific personal jurisdiction. Second, in holding that Petitioners had established minimum contacts with California for purposes of Respondent's declaratory judgment action, the Federal Circuit deprived Petitioners of their due process protections under the 5th and 14th Amendments to the United States Constitution by applying a divaricated analysis of *International Shoe* as to whether Petitioners had both "purposefully directed" activities to California and "purposefully availed" themselves of California law. Third, under a divaricated analysis of *International Shoe*, the Federal Circuit deprived Petitioners of their due process protections under the 5th and 14th Amendments to the United States Constitution by holding that Respondent's declaratory judgment action "arose out of or related to" Petitioners's purported minimum contacts with California.

A. The Federal Circuit Unconstitutionally Relied Upon and Aggregated "Other Activities" Apart From Cease and Desist Correspondence In Concluding That Specific Personal Jurisdiction Existed.

Under Federal Circuit precedent, cease and desist correspondence aimed at protecting a patentee's patent rights

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[4] California's long-arm statute allows specific personal jurisdiction over non-resident defendants to the extent permitted by the Due Process Clause of the United States Constitution. Cal. Code Civ. P. § 410.10. Thus, in this case, the Federal Circuit focused only on due process protections under *International Shoe Co. v. Washington*, 326 U.S. 310, 66 S.Ct. 154 (1945) and its progeny, and relevant Federal Circuit and Ninth Circuit precedent.

cannot stand alone as a basis for specific personal jurisdiction. *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1361 (Fed. Cir. 2001); *Red Wing Shoe Company, Inc. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360 (Fed. Cir. 1998). Specific personal jurisdiction may exist only if, in addition to the sending of cease-and-desist correspondence, the patentee-defendant engaged in "other activities" which were (a) directed at the forum, and (b) related to the cause of action. *Inamed Corp.*, 249 F.3d at 1361; *Silent Drive, Inc. v. Strong*, 326 F.3d 1194, 1202 (Fed. Cir. 2003). In effect, the Federal Circuit aggregates such "other activities" to determine whether the patentee-defendant is subject to specific personal jurisdiction. The Federal Circuit's guidelines violate *International Shoe* because they permit an unconstitutional aggregating of and reliance upon such "other activities" as a basis for concluding that a declaratory judgment action satisfied the "arose out of or related to" prong of *International Shoe*. As in the instant case, a declaratory judgment action cannot arise out of or relate to "other activities" which predate and do not relate to the basis for the action itself.

In a declaratory judgment action against a patentee that is attempting to protect its patent rights, "minimum contacts" must be established through activities which directly gave rise to the action itself. Tangential, attenuated or cursory activities cannot serve as a basis for specific personal jurisdiction over the nonresident patentee-defendant. *Red Wing Shoe*, 148 F.3d at 1360; *Silent Drive, Inc.*, 326 F.3d at 1202. In its Opinion and Judgment, the Federal Circuit relied upon and aggregated contacts between the Petitioners and California which predated and did not relate to the basis for EFI's declaratory judgment action. These "other activities," upon which the Federal Circuit relied and aggregated, do not comport with the requirements of *International Shoe* and its progeny.

The Federal Circuit deprived Petitioners of their due process protections under the 5th Amendment and the 14th Amendment by relying upon and aggregating such "other activities." The Federal Circuit's decision in the instant matter conflicts with relevant decisions of this Court, and certiorari should be granted to define constitutionally acceptable parameters for determining specific personal jurisdiction over a patentee-defendant to a declaratory judgment action.

B. The Federal Circuit Applied A Divaricated Analysis of *International Shoe* and Its Progeny As to Whether Petitioners Both Purposefully Directed Activities to California and Purposefully Availed Themselves of California Law.

The Federal Circuit and the Ninth Circuit have established differing standards for determining whether "minimum contacts" exist under the guidelines of *International Shoe* and its progeny, and this divarication between the circuit courts deprived Petitioners of their due process protections under the 5th and 14th Amendments.

Specifically, the Federal Circuit and the Ninth Circuit have divaricated from the admonition that a nonresident defendant must have "purposefully directed activities at residents of the forum" *and* "purposefully availed himself of the privilege of conducting activities within the forum State." Under this first prong of *International Shoe* analysis, Supreme Court jurisprudence requires that both factors exist in order to establish "minimum contacts" with the forum. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472-75, 105 S.Ct. 2174, 2182-83 (1985) (citations omitted). Under Federal Circuit guidelines, the court looks only to whether a nonresident defendant has "purposefully directed activities at residents of the forum." See, e.g., *Deprenyl Animal Health Inc. v. University of Toronto Innovations Foundation*, 297 F.3d 1343

(Fed. Cir. 2002). The Federal Circuit omits the necessary *sine qua non* examination of "purposeful availment." In contrast, the Ninth Circuit examines whether a nonresident defendant "purposefully directed his activities at the forum state" *or* "purposefully availed himself of the privilege of conducting activities within the forum." See, e.g., *Omeluk v. Langsten Slip & Batbyggeri A/S*, 52 F.3d 267 (9th Cir. 1995). The Ninth Circuit's disjunctive examination permits the court to engage in a "purposefully directed" analysis without the necessary *sine qua non* examination of "purposeful availment."

In the instant case, the divarication is pivotal because the Federal Circuit concluded that its own precedent controlled whether Petitioners were subject to specific personal jurisdiction as to the federal claim made by EFI (invalidity of the '746 Patent), and that Ninth Circuit precedent controlled as to the state law claims made by EFI (non-breach of the NDA's and non-misappropriation of trade secrets). App. 5a - 6a. The Federal Circuit and the Ninth Circuit have entered conflicting decisions on the same important matter, and certiorari should be granted to resolve the divarication between the circuits regarding the first prong of *International Shoe* analysis.

C. The Federal Circuit Applied A Divaricated Analysis of *International Shoe* and Its Progeny In Concluding That EFI's Declaratory Judgment Action Arose Out Of or Related To Petitioners's Purported Minimum Contacts With California.

The Federal Circuit utilized two different examinations, one under Federal Circuit precedent and the other under Ninth Circuit precedent, in concluding that EFI's declaratory judgment act "arose out of or related to" Petitioners's purported minimum contacts with California. This divarication between the circuit courts deprived Petitioners of their 5th and 14th Amendment due process protections.

The second prong of *International Shoe* examines whether the subject litigation and alleged injuries "arise out of or [are] related to" the "minimum contacts" which form the first prong of analysis. *Burger King*, 471 U.S. at 472-73, 105 S.Ct. at 2182 (citing *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 414, 104 S.Ct. 1868, 1872 (1984)). To satisfy the second prong of analysis, the Federal Circuit utilizes a "forms a basis" examination. *HollyAnne Corp. v. TFT, Inc.*, 199 F.3d 1304, 1308 n. 4 (Fed. Cir. 1999) (the proper test for determining whether an activity gave rise to a cause of action is whether the activity in the forum state is *a* basis for the cause of action). In contrast, the Ninth Circuit utilizes a "but for" test. *Ballard v. Savage*, 65 F.3d 1495, 1500 (9th Cir. 1995) (the Ninth Circuit "relies on a 'but for' test to determine whether a particular claim arises out of forum-related activities.").[5] Both Circuit's tests unconstitutionally deprive a nonresident patentee-defendant to a declaratory judgment action of its 5th and 14th Amendment due process protections, by permitting a finding that a declaratory judgment action "arose out of or related to" actions taken to protect its patent rights, and which predate or do not relate to the basis for the declaratory judgment action.

In this case, the Federal Circuit used its own precedent to determine specific personal jurisdiction for EFI's federal law claim (invalidity of the '746 Patent), and Ninth Circuit guidelines for EFI's two state law claims (non-breach of the NDA's and non-misappropriation of trade secrets). App. 5a -

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[5] The Supreme Court has previously recognized the inequality of the circuit courts' varying analyses of the "arise out of or relate to" prong of *International Shoe*. See, *Carnival Cruise Line, Inc. v. Shute*, 499 U.S. 585, 111 S.Ct. 1522 (1991) (certiorari granted in part to determine whether the "but for" test is the preferable means for analyzing the second prong of *International Shoe*; decision reached on other grounds).

6a. The Federal Circuit and the Ninth Circuit have entered conflicting decisions on the same important matter, and certiorari is warranted to resolve the divarication regarding the second prong of *International Shoe*.

POINTS AND AUTHORITIES

I. THE FEDERAL CIRCUIT UNCONSTITUTIONALLY RELIED UPON AND AGGREGATED "OTHER ACTIVITIES" APART FROM CEASE AND DESIST CORRESPONDENCE IN DETERMINING SPECIFIC PERSONAL JURISDICTION.

In the context of determining whether a patentee-defendant is subject to specific personal jurisdiction in a declaratory judgment action, Federal Circuit precedent deprives the patentee-defendant of its 5th and 14th Amendment due process protections by relying upon and aggregating "other activities" apart from cease and desist correspondence. Under *International Shoe* and its progeny, such "other activities" cannot form a basis for concluding that a declaratory judgment action satisfied the "arose out of or related to" requirement. Aggregation of tangential, attenuated or cursory contacts unconstitutionally violates existing due process protections. See *Rush v. Savchuk*, 444 U.S. 320, 331-32, 100 S.Ct. 571, 579 (1980) (aggregating contacts is generally disapproved as being "plainly unconstitutional"). Further, as multiple courts have held, such "other activities" cannot serve as a basis for specific personal jurisdiction in a declaratory judgment action.[6]

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[6] *Ham v. La Cienega Music Co.*, 4 F.3d 413, 416 (5th Cir. 1993) (in a declaratory judgment action for non-infringement of a registered copyright, no specific personal jurisdiction because the action was unrelated to sales of the copyrighted material to the forum state); *Cognex Corp. v. Lemelson Medical, Education & Research Foundation*, 67 F.Supp.2d 5, 8-9 (D. Mass. 1999) (no specific personal jurisdiction based on cease and desist correspondence, offers to license patented products to plaintiff, other licenses with third-party companies, and travel to the forum by defendant's

The Federal Circuit deprived Petitioners of their due process protections by relying upon and aggregating purported "other activities" in which Mr. Coyle and Kolbet Labs engaged—all of which predated and did not relate to the basis for EFI's declaratory judgment action[7]—and in holding that the "other activities" established specific personal jurisdiction.

A. Federal Circuit Guidance To Applying *International Shoe* To A Declaratory Judgment Action.

Under Federal Circuit precedent, cease-and-desist correspondence aimed at protecting a patentee's patent rights

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counsel, because declaratory judgment action did not relate to such "other" contacts); *Coastal Video Communications Corp. v. Staywell Corp.*, 59 F.Supp.2d 562, 567-68 (E.D. Va. 1999) (no specific personal jurisdiction in declaratory judgment action based on the sale or other exploitation of the copyrighted material, because the action did not arise out of such contacts); *Zumbro, Inc. v. California Natural Products*, 861 F.Supp. 773, 780 (D. Minn. 1994) ("the activities in which [defendant] has engaged in order to exploit [its] patents . . . are entirely unrelated to the subject of plaintiff's declaratory judgment action). Petitioners's contacts with California were much more tangential, attenuated and cursory than the contacts at issue in the *Ham*, *Cognex, Coastal Video*, or *Zumbro* decisions.

[7] Under the Declaratory Judgments Act, no cause of action may be brought against a patentee-defendant until such time as the alleged infringer becomes aware of an "actual controversy." 28 U.S.C. § 2201(a). An actual controversy does not exist until the patentee-defendant has expressly or impliedly charged the declaratory judgment plaintiff with infringement. *Diagnostic Unit Inmate Council v. Films Inc.*, 88 F.3d 651, 653 (8th Cir. 1998); *BP Chemicals Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed. Cir. 1993); *Societe de Conditionnement en Aluminium v. Hunter Engineering Co., Inc.*, 655 F.2d 938, 944 (9th Cir. 1981); *Robin Products Co. v. Tomecek*, 465 F.2d 1193, 1196 (6th Cir. 1972). The patent-infringer—and in this case EFI—has no basis for a declaratory judgment action based on "other activities" which predate a charge of infringement.

cannot stand alone as a basis for specific personal jurisdiction. *Inamed Corp.*, 249 F.3d at 1361; *Red Wing Shoe*, 148 F.3d at 1360. An patentee cannot be held hostage to the patent-infringer's conduct as a basis for specific personal jurisdiction:

> Principles of fair play and substantial justice afford a patentee sufficient latitude to inform others of its patent rights without subjecting itself to jurisdiction in a foreign forum. A patentee should not subject itself to personal jurisdiction in a forum solely by informing a party who happens to be located there of suspected infringement.

Red Wing Shoe, 148 F.3d at 1360; *see also*, *Silent Drive, Inc.*, 326 F.3d at 1202. Thus, although cease-and-desist correspondence may establish "minimum contacts" and may "give rise to or relate to" the declaratory judgment action, the Federal Circuit has correctly determined that such correspondence is an insufficient basis for subjecting a patentee-defendant to specific personal jurisdiction. This rule is grounded in the third prong of *International Shoe*.[8]

Specific personal jurisdiction exists only if, in addition to cease-and-desist correspondence, the patentee-defendant engaged in "other activities" directed at the forum and related to the cause of action. *Inamed Corp.*, 249 F.3d at 1361; *Silent Drive, Inc.*, 326 F.3d at 1202. The Federal Circuit has not provided any guidance as to what "other activities" satisfy the requirements of *International Shoe*. Under Supreme Court jurisprudence, constitutional due process protections mandate

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[8] "[O]nce it has been determined that a defendant purposefully established minimum contacts with the forum State, these contacts may be considered in light of other factors to determine whether the assertion of personal jurisdiction would comport with 'fair play and substantial justice.'" *Burger King*, 471 U.S. at 476, 105 S.Ct. at 2184 (citation omitted).

that such "other activities" must independently comport with *International Shoe*, based on "purposefully directed" activities by which the defendant "purposefully availed" itself of the forum, and from which the action "arose out of or related to." *Burger King*, 471 U.S. at 472-75, 105 S.Ct. at 2182-83.

Federal Circuit precedent fails to adhere to the second prong of *International Shoe* because it permits an unconstitutional aggregating of and reliance upon such "other activities" as a basis for concluding that a declaratory judgment action "arose out of or related to" such "other activities." A declaratory judgment action cannot arise out of or relate to "other activities" which predate the basis for the action.[9]

B. The Examination of Petitioners's "Other Activities" Contacts With California Violated the Guidelines of *International Shoe* and Its Progeny.

Ostensibly, Federal Circuit precedent adheres to Supreme Court constitutional guidelines. However, Federal Circuit precedent only partly comports with *International Shoe* and its progeny. As evidenced by the instant matter, the Federal Circuit's precedent violates this Court's constitutional guidelines to the extent it permits the Federal Circuit to rely upon and aggregate purported "other activities" which predate or dc not relate to the basis for the declaratory judgment action, to support a finding of specific personal jurisdiction.

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[9] The Federal Circuit's analysis of "other activities" is grounded in the third prong of *International Shoe*. Petitioners contend that the flaw in the Federal Circuit's analysis is that "other activities" must *first* satisfy the minimum contacts and "arise out of or relate to" prongs of *International Shoe*, and cannot be constitutionally aggregated or relied upon as a basis for concluding that a declaratory judgment action satisfied the "arose out of or related to" requirement. The third prong of *International Shoe* is a basis for *defeating* specific personal jurisdiction; it cannot be used as a basis for *granting* such jurisdiction. *Burger King*, 471 U.S. at 476, 105 S.Ct. at 2184.

In a declaratory judgment action against a patentee that is attempting to protect its patent rights, the scope of inquiry regarding minimum contacts must be limited only to those occurrences which directly gave rise to the action itself. Activities which are only tangentially related to the declaratory judgment action, or which predate or do not relate to the basis for the action, cannot suffice as "other activities" for purposes of establishing specific personal jurisdiction because such activities are too attenuated and cursory to the action itself.

At times, Federal Circuit precedent recognizes this important constitutional limitation. In *Red Wing Shoe*, the court understood that the patentee is ultimately the defendant to a declaratory judgment action. 148 F.3d at 1360. The patent-infringer is the plaintiff, and the infringement activities of the patent-infringer underscore the cause of action. The patent-infringer makes allegations based *not* on the forum activities of the patentee-defendant, but instead on the cease-and-desist correspondence by which the patentee-defendant noticed the patent-infringer of suspected infringement. Such cease-and-desist correspondence *cannot* be the constitutional basis for specific personal jurisdiction. *Id.*; *Inamed Corp.*, 249 F.3d at 1361; *Silent Drive, Inc.*, 326 F.3d at 1202. The Federal Circuit recognized this limitation in the instant case. App. 10a.

Because Mr. Coyle's cease-and-desist correspondence could not stand as a basis for specific personal jurisdiction, the Federal Circuit cited to three "other activities" in holding that California could assert specific personal jurisdiction over Petitioners: (i) while the '746 Patent was being prosecuted, Mr. Coyle hired a California attorney who contacted EFI at various times to report on the progress of the pending '212 Patent Application; (ii) Mr. Coyle telephoned EFI in California at various times between approximately late 1999 (or early 2000) and fall of 2001 regarding the technology covered in the '212 Patent Application; and (iii) two representatives of

Petitioners visited EFI's facility in California to demonstrate the technology underlying the '746 Patent. App. 10a - 11a.

None of the "other activities" relied upon by the Federal Circuit comport with the requirements of *International Shoe*. The "other activities" were at most tangential, attenuated or cursory contacts, and not ones from which EFI's declaratory judgment action "arose out of" or was "related to." The "other activities" related almost exclusively to business negotiations between Petitioners and EFI which *predated* Petitioners's cease-and-desist correspondence, and which therefore *predated* the basis for EFI's declaratory judgment action.[10] Petitioners's retention of in-forum counsel was not a sufficient basis for specific personal jurisdiction.[11] The independent contractors which visited EFI's facility did not discuss or disclose the subject technology or the '746 Patent. The "other activities" did not relate at all to EFI's declaratory judgment action.

The Federal Circuit's Opinion and Judgment conflicts with

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[10] EFI concedes that November 26, 2001, was the earliest date that an "actual controversy" arose upon which it could satisfy the requirements of the Declaratory Judgments Act, 28 U.S.C. § 2201. Complaint at ¶ 18, App. 46a - 47a.

[11] *See e.g., In re Ski Train Fire In Kaprun, Austria On November 11, 2000*, ___ F.Supp.2d ___, 2003 WL 1807148 (S.D.N.Y. 2003) (retention of New York law firm is insufficient basis for personal jurisdiction); *Daniel v. American Bd. of Emergency Med.*, 988 F.Supp. 127 (W.D.N.Y. 1997) (defendant's hiring of New York attorneys is not a sufficient contact with New York to provide for personal jurisdiction); *PaineWebber Inc. v. Westgate Group, Inc.*, 748 F.Supp. 115 (S.D.N.Y. 1990) (defendant's intent to get a New York lawyer is not an invocation of in personam jurisdiction in the forum state of the lawyer's practice).

relevant decisions of the Supreme Court.[12] Certiorari should lie to remedy the Federal Circuit's unconstitutional deprivation of Petitioners's due process protections based on its improper conclusion that Petitioners were subject to specific personal jurisdiction in California.

II. THE FEDERAL CIRCUIT APPLIED A DIVARICATED ANALYSIS OF THE PURPOSEFULLY DIRECTED AND PURPOSEFULLY AVAILED REQUIREMENTS OF *INTERNATIONAL SHOE* AND ITS PROGENY.

The constitutional mainstay of due process protections requires that the non-resident defendant must have "certain minimum contacts with [the forum] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" *International Shoe*, 326 U.S. at 316, 66 S.Ct. at 158. This mainstay is essential to safeguarding a non-resident defendant's 5th and 14th Amendment due process protections from an unconstitutional encroachment by a forum asserting specific personal jurisdiction, but which has no constitutionally accepted basis for doing so.[13]

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[12] In *Burger King*, the Supreme Court stated that jurisdiction is proper "where the contacts proximately result from actions by the defendant *himself* that create a 'substantial connection' with the forum State." 471 U.S. at 472-76, 105 S.Ct. at 2182-84 (citations and footnotes omitted) (emphasis added). None of the bases upon which the Federal Circuit relied—in concluding that California could assert specific personal jurisdiction over Petitioners—can be subjoined to the nexus between EFI's declaratory judgment action and Mr. Coyle's cease-and-desist correspondence.

[13] As the Supreme Court has often admonished, "[t]he Due Process Clause protects an individual's liberty interest in not being subject to the binding judgments of a forum with which he has established no meaningful 'contacts, ties, or relations.'" *Burger King*, 471 U.S. at 471-72, 105 S.Ct. at 2181-82 (citing *International Shoe*, 326 U.S. at 319, 66 S.Ct. at 160).

In *Burger King*, the Supreme Court determined that jurisdictional due process protections require satisfaction of a three part examination: (a) the nonresident defendant must have (i) "purposefully directed" its activities at the forum, and (ii) "purposefully availed" itself of the privilege of conducting activities within the forum state; (b) the litigation must result from alleged injuries that "arose out of or related to" the activities which the nonresident defendant purposefully directed at the forum and by which it purposefully availed itself of the forum; and (c) the nonresident defendant's minimum contacts may then be considered in light of "other activities" to determine whether an assertion of specific personal jurisdiction comports with "fair play and substantial justice." *Burger King*, 471 U.S. at 472-77, 105 S.Ct. at 2182-84 (citations omitted). The Federal Circuit and the Ninth Circuit have divaricated their respective analyses of the first prong of the *Burger King* examination, and this divarication deprived Petitioners of their 5th and 14th Amendment due process protections.

A. Purposeful Availment Is the *Sine Qua Non* of Purposefully Directed Activities.

The first prong of *International Shoe* requires both that the nonresident defendant has "purposefully directed his activities at residents of the forum" and that the nonresident defendant has "purposefully [availed] himself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws." *Burger King*, 471 U.S. at 472-75, 105 S.Ct. at 2182-83 (citations omitted); *Asahi Metal Ind. Co., Ltd. v. Superior Ct. of California*, 480 U.S. 102, 109-112, 107 S.Ct. 1026, 1030-32 (1987). The examination has two distinct requirements, which neither the Federal Circuit nor

the Ninth Circuit apprehend.[14] If a court first examines whether a non-resident defendant has "purposefully directed" activities at a forum state, it must necessarily examine whether the non-resident defendant has also "purposefully availed" itself of the benefits and protections of the forum's laws. In this case, the Federal Circuit failed to complete the required analysis.

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[14] In *Burger King*, this Court stated, in relevant part:

> Where a forum seeks to assert specific jurisdiction over an out-of-state defendant who has not consented to suit there, [the] "fair warning" requirement is satisfied if the defendant has "purposefully directed" his activities at residents of the forum . . . and the litigation results from alleged injuries that "arise out of or relate to" those activities . . . .
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> * * *
>
> "[T]he foreseeability that is critical to due process analysis . . . is that the defendant's conduct and connection with the forum State are such that he should reasonably anticipate being haled into court there." In defining when it is that a potential defendant should "reasonably anticipate" out-of-state litigation, the Court frequently [has stated]:
>
> > "[I]t is essential in each case that there be some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws."

Burger King, 471 U.S. at 472-76, 105 S.Ct. at 2182-84 (emphasis in original) (citations and footnotes omitted); *see also, Asahi Metal Industry Co.*, 480 U.S. at 108-12, 107 S.Ct. at 1030-32 (O'Connor, J., discussing the evolution of "minimum contacts" as requiring both "purposefully directed activities" and "purposeful availment" of the forum State). "Purposeful availment" is the *sine qua non* of the "purposefully directed" requirement.

Federal Circuit precedent looks only to whether a nonresident defendant has "purposefully directed" activities at the forum. *Deprenyl Animal Health*, 297 F.3d at 1351; *see also, Inamed Corp.*, 249 F.3d at 1360. In contrast, the Ninth Circuit examines whether a nonresident defendant has either "'purposefully directed' its activities at the forum state *or* 'purposefully availed' itself of the privilege of conducting activities within the forum." *Omeluk*, 52 F.3d at 270; *Harris Rutsky & Co. Ins. Services, Inc. v. Bell & Clements Ltd.*, 328 F.3d 1122, 1129 (9th Cir. 2003). In its Opinion and Judgment, the Federal Circuit applied Federal Circuit law to the issue of whether California could assert specific personal jurisdiction over Petitioners in regard to EFI's patent invalidity claim. App. 5a., 9a. The Federal Circuit applied Ninth Circuit law to its analysis of whether California could assert specific personal jurisdiction over Petitioners in regard to EFI's state law claims. 6a., 13a. The variance between the two circuits is integral to understanding the constitutional due process deprivations suffered by Petitioners. Because the Federal Circuit and the Ninth Circuit fundamentally differ in determining the first prong of *International Shoe*, the Federal Circuit subjected Petitioners to two distinctly varying standards for determining specific personal jurisdiction, in deprivation of their 5th and 14th Amendment due process protections.

B. The Federal Circuit Omitted "Purposeful Availment" From Its Analysis of EFI's Patent Invalidity Claim.

Although the Federal Circuit mentioned the "purposefully availed" requirement established by the Supreme Court in *Burger King*, its Opinion and Judgment contained only a fallacious analysis of the factor in determining whether specific personal jurisdiction existed over Petitioners. App. 9a, 11a. The Federal Circuit's fallacious analysis of the "purposeful availment" requirement permitted it to conclude that Petitioners

were subject to specific personal jurisdiction for EFI's patent invalidity claim based on activities which were tangential, attenuated and cursory to EFI's declaratory judgment action, and not intended by Petitioners to invoke the benefits or protections of California law.

The Federal Circuit determined that the following acts by Petitioners were "purposefully directed" at California: (i) Coyle repeatedly threatened EFI over the telephone in November 2001;[15] (ii) Coyle hired a California attorney who contacted EFI at various times to report on the progress of the '212 Patent Application;[16] (iii) Coyle telephoned EFI in California at various times between approximately late 1999 (or early 2000) and fall of 2001 regarding the subject matter of the '212 Patent Application; and (iv) two representatives of Petitioners visited EFI's facility in California to demonstrate the subject technology. App. 10a - 11a.

However, the Federal Circuit failed to explain how each of these activities created a "substantial connection" between Petitioners and California, in satisfaction of the "purposeful availment" requirement. *Burger King*, 471 U.S. at 475, 105 S.Ct. at 2183-84; App. 11a. The Federal Circuit cited to the visit to EFI's California facility, and to the various communications by Mr. Coyle and his attorneys to EFI, as evidence of Petitioners's "purposeful availment" of California. App. 11a. However, each of these bases were precisely the

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[15] The Federal Circuit acknowledged that its own precedent precluded reliance on threats of infringement directed at the forum state as a basis to satisfy due process requirements when exercising jurisdiction over an out-of-state patentee. App. 10a.

[16] Petitioners contend that retention of in-forum counsel is an unconstitutional basis upon which specific personal jurisdiction may be founded. See fn. 11 *supra*.

"random, fortuitous, or attenuated" contacts which the Supreme Court has stated cannot satisfy the "purposeful availment" requirement. *Id.*, 105 S.Ct. at 2183. A determination of "minimum contacts" requires that each analyzed factor relate in some manner to the claims made in the subject cause of action. The activities cited by the Federal Circuit do not relate in any way to the basis of EFI's declaratory judgment action, and its reliance on those activities violated Petitioners's 5th and 14th Amendment due process protections.

C. The Federal Circuit Omitted "Purposefully Directed" From Its Analysis of EFI's State Law Claims.

In contradiction to *Burger King's* conjunctive mandate, Ninth Circuit guidelines permit a disjunctive examination of the first prong of *International Shoe*. *Omeluk*, 52 F.3d at 270; *Harris Rutsky & Co.*, 328 F.3d at 1129. In its Opinion and Judgment, the Federal Circuit engaged only in an analysis of "purposeful availment" regarding EFI's state law allegations, and entirely avoided any analysis of the "purposefully directed" requirement. App. 14a - 15a. As a result, the Federal Circuit unconstitutionally concluded that Petitioners were subject to specific personal jurisdiction for EFI's state law claims, based on activities which did not give Petitioners "fair warning" that such jurisdiction would exist in a declaratory judgment action.[17]

The Federal Circuit found that Petitioners "purposefully availed" themselves of California law because: (i) under the

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[17] None of the activities upon which the Federal Circuit relied are related to or gave rise to EFI's declaratory judgment action. As such, none of the cited activities comport with *Burger King's* admonition that "individuals have 'fair warning that a particular activity may subject [them] to the jurisdiction of a foreign sovereign.'" 471 U.S. at 472, 105 S.Ct. at 2182 (citations omitted).

NDA's, Petitioners and EFI agreed to be bound, for four years following termination of the NDA's, by the confidentiality principals which governed the multiple contacts with California during 2000, including (a) Mr. Coyle's phone and mail contacts, (b) Mr. Coyle's attorney's phone and mail contacts, and (c) the visit to EFI's California facility by Petitioners's representatives; and (ii) the NDA's included a California choice-of-law provision.[18] App. 14a - 15a. The Federal Circuit reached the same conclusion regarding EFI's claim of non-misappropriation of trade secrets. App. 17a. On both accounts, the Federal Circuit did not engage in an analysis of whether Petitioners' purported activities were each "purposefully directed" at California. The activities cited by the Federal Circuit predated and did not relate to the basis of EFI's declaratory judgment action.

Any determination of "minimum contacts" between Petitioners and California requires that each analyzed factor cited by the Federal Circuit relate in some manner to the claims made in EFI's declaratory judgment action. The Federal Circuit's failure to define how Petitioners "purposefully directed" activities at California, and how each "purposefully

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[18] Petitioners contend that Federal Circuit erred in relying on the choice-of-law provision. In *Burger King*, the Supreme Court declared that the 20-year interdependent relationship between Rudzewicz and Burger King, not the choice-of-law provision, was the factor which "reinforced [the] deliberate affiliation with the forum State" such that Rudzewicz could reasonably foresee the possibility of litigation in Florida. 471 U.S. at 482, 105 S.Ct. at 2187. EFI and Petitioners did not have a fraction of the 20-year interdependent relationship that existed between Rudzewicz and Burger King. Moreover, the NDA's did not contain a disclaimer such as that in issue in *Burger King*, whereby Petitioners could by negative implication foresee that suits would be filed in California. *See, id.* at n. 24, 105 S.Ct. at 2187 n. 24. The choice-of-law provision does not evidence any intent by Petitioners to avail themselves of California law for jurisdictional purposes.

directed" activity established "minimum contacts" for purposes of EFI's state law claims, violated Petitioners's 5th and 14th Amendment due process protections.

D. Certiorari Should Lie To Determine the Proper Test For the First Prong of *International Shoe.*

Both the Federal Circuit and the Ninth Circuit have decided an important question of federal law that conflicts with relevant decisions of the Supreme Court. The Petition for Certiorari should be granted to determine that the conjunctive test articulated in *Burger King* is the proper test for examining the first prong of *International Shoe*, and that EFI cannot satisfy this test.

III. The Federal Circuit Applied A Divaricated Analysis of the "Arose Out Of or Related To" Prong of *International Shoe.*

Under the second prong of *International Shoe*, the litigation and alleged injuries at issue must "arise out of or relate to" those activities (a) which the nonresident defendant "purposefully directed" at the forum, and (b) by which the nonresident defendant "purposefully availed" itself of the privilege of conducting activities within the forum and by which it invoked the benefits and protections of the forum's laws. *Burger King*, 471 U.S. at 472-73, 105 S.Ct. at 2182 (citing *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. at 414, 104 S.Ct. at 1872).[19] The Ninth Circuit and the

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[19] Although the Supreme Court has not yet identified a bright-line test for the second prong of *International Shoe*, it has consistently looked to whether a sufficient nexus exists between the cause of action and the nonresident defendant's "purposefully directed" and "purposefully availed" activities. *International Shoe*, 326 U.S. at 319, 66 S.Ct. at 160; *Keeton v. Hustler Magazine, Inc.*, 465 U.S. at 779-80, 104 S.Ct. at 1481; *Hanson v. Denckla*, 357 U.S. 235, 251-52, 78 S.Ct. 1228, 1238 (1958).

Federal Circuit have entered differing examinations for determining this second prong of *International Shoe*.

Under Ninth Circuit guidelines, the "arise out of or relate to" prong is dependent upon a "but for" test—but for the nonresident defendant's contacts with the forum state, would the plaintiff's claims against the nonresident defendant have arisen. *Ballard v. Savage*, 65 F.3d at 1500; *Loral Terracom v. Valley Nat'l Bank*, 49 F.3d 555, 561 (9th Cir. 1995). In contrast, the Federal Circuit utilizes a "forms a basis" test. *HollyAnne Corp.*, 199 F.3d at 1308 n. 4 (rejecting the "but for" examination).[20] This divarication between the Ninth Circuit and the Federal Circuit unconstitutionally differentiated between Petitioners's due process protections regarding EFI's federal law claim and EFI's state law claims.

A. The Ninth Circuit's "But For" Test Is Overly-Broad.

The Ninth Circuit "but for" test is inherently flawed because it fails to sustain the substantive nexus between the cause of action and the nonresident defendant's activities in the

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[20] Both the First and Eighth Circuits utilize a more restrictive test than either the Ninth Circuit or the Federal Circuit. See, e.g., *Marino v. Hyatt Corp.*, 793 F.2d 427 (1st Cir. 1986); *Pearrow v. National Life & Accident Ins. Co.*, 703 F.2d 1067 (8th Cir. 1983). The Seventh Circuit has adopted a very broad test, allowing jurisdiction when the plaintiff's claim "lies in the wake" of the defendant's forum contacts. See *Hutter Northern Trust v. Door County Chamber of Commerce*, 403 F.2d 481 (7th Cir. 1968). The Fifth Circuit and the Sixth Circuit have adopted the "but for" test utilized by the Ninth Circuit. See *Prejean v. Sonatrach, Inc.*, 652 F.2d 1260 (5th Cir. 1981); *Lanier v. American Bd. of Endodontics*, 843 F.2d 901 (6th Cir. 1988), *cert. den.*, 488 U.S. 926, 109 S.Ct. 310 (1988). See also, Flavio Rose, Comment, *Related Contacts and Personal Jurisdiction: The "But For" Test*, 82 Cal. L. Rev. 1545 (1994) (discussing generally the various circuit approaches to the "arise out of or relate to" requirement).

forum, and it may vitiate the distinction between specific personal jurisdiction and general personal jurisdiction. See, e.g., Lea Brilmayer, *Related Contacts and Personal Jurisdiction*, 101 Harv. L. Rev. 1444, 1463 (1988) ("but for test" is overly elastic and is not consistent with the directives of earlier Supreme Court decisions). Further, the "but for" test permits a nexus between the cause of action and certain contacts by the nonresident defendant which are too remote from the action. See, e.g., Rose, Comment, *Related Contacts and Personal Jurisdiction: The "But For" Test*, 82 Cal. L. Rev. at 1573. As in this case, the Ninth Circuit's test intrudes on the due process protections of every patentee which seeks to protect itself against infringing conduct.[21]

Under the overly-broad "but for" test, a patentee-defendant to a declaratory judgment action would be subject to specific personal jurisdiction in every forum to which it directed cease-and-desist correspondence, since the declaratory judgment action could arguably arise out of or relate to such correspondence and "but for" such correspondence no basis would exist for the declaratory judgment action. The result is contrary to the guidelines of *International Shoe*. See, e.g., *Inamed Corp. v. Kuzmak*, 249 F.3d at 1361; *Red Wing Shoe Company*, 148 F.3d at 1360.

B. The Federal Circuit's "Forms A Basis" Test Is Overly-Broad.

Similar fault lies in the Federal Circuit's test. The "forms

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[21] Ninth circuit courts have also criticized the "but for" test. The U.S. District Court for the Central District of California rejected the test outright in a patent invalidity action,, stating that "[t]he 'but for' test . . . is simply inapplicable to a cause of action such as patent infringement that involves a multiple and not a discrete injury." *Wilden Pump & Engineering Co. v. Versa-Matic Tool Inc.*, 20 U.S.P.Q.2d (BNA) 1788, 1790 (C.D. Cal. 1991).

a basis" test is highly over-broad because "*a* basis" for the cause of action may exist from any tangential, attenuated or cursory contact. As with the "but for" test, the "forms a basis" test permits a nexus between the cause of action and certain contacts by the nonresident defendant which are too remote to support specific personal jurisdiction, particularly where—as the Federal Circuit permitted in this case—the threshold may be found to exist based on activities which predate and do not relate to the basis for the patent-infringer's declaratory judgment action.

C. A "Substantive Relevance" Test Better Protects the Due Process Rights Of A Patentee-Defendant To A Declaratory Judgment Action.

The more effective examination is a "substantive relevance" test, which focuses on the elements of the pleaded cause of action to determine whether a substantial nexus exists between the action and the forum-related activities of the nonresident defendant.[22]

In this case, EFI pleaded for declaratory relief, which requires the existence of an "actual controversy." 28 U.S.C. § 2201(a). In a patent dispute, the "actual controversy" requirement is met only if the patentee-defendant has expressly or impliedly charged the declaratory judgment plaintiff with infringement.[23]

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[22] The "substantive relevance" examination was first proposed by Professor Brilmayer in her article entitled *How Contacts Count: Due Process Limitations on State Court Jurisdiction*, 1980 Sup. Ct. Rev. 77. The benefit to Professor Brilmayer's proposal is that it bases determination of specific personal jurisdiction upon the same facts alleged in support of the pleaded cause of action.

[23] *Diagnostic Unit Inmate Council v. Films Inc.*, 88 F.3d at 653; *BP Chemicals Ltd. v. Union Carbide Corp.*, 4 F.3d at 978; *Societe de*

EFI expressly admitted that the first time Mr. Coyle alleged infringement of the subject technology was November 26, 2001. Complaint at ¶ 18, App. 46a - 47a. Negotiations between Mr. Coyle and EFI for the sale or licensing of the '746 Patent and related technologies were not the genesis of this action. Rather, EFI's unilateral actions of infringing the '746 Patent and related technologies were the substantial nexus to the cause of action. Petitioners issued cease-and-desist correspondence only upon learning of EFI's infringing activities. EFI's unilateral actions cannot serve as a basis for specific personal jurisdiction. Each of the activities relied upon by the Federal Circuit for purposes of establishing the second prong of *International Shoe* predated EFI's admission as to when the "actual controversy" of its declaratory judgment action arose, and did not relate to the action itself. None of these attenuated contacts would satisfy the second prong of *International Shoe* under a "substantive relevance" test.

D. Certiorari Should Be Granted to Resolve the Dispute Between the Circuits Regarding the Second Prong of *International Shoe.*

Under either the Ninth Circuit's "but for" test, or the Federal Circuit's "forms the basis" test, the Federal Circuit determined that the second prong of *International Shoe* was satisfied based on highly attenuated contacts which neither gave rise to nor related to EFI's declaratory judgment action. The Federal Circuit's Opinion and Judgment conflicts with decisions of other United States courts of appeal on the same important constitutional matter, and certiorari should lie to resolve the conflicting variance.

Conditionnement en Aluminium v. Hunter Engineering Co., Inc., 655 F.2d at 944; *Robin Products Co. v. Tomecek*, 465 F.2d at 1196.

CONCLUSION

The Federal Circuit deprived Petitioners of their 5th and 14th Amendment due process protections by aggregating and relying upon "other activities" apart from cease-and-desist correspondence, and by applying divaricated analyses of *International Shoe* and its progeny, in holding that Petitioners were subject to specific personal jurisdiction in California for Respondent's declaratory judgment action.

Petitioners's contacts with California, related to the instant matter, were extremely attenuated and cursory. Mr. Coyle lives in Nevada and his business activities occur almost exclusively in Nevada. Kolbet Labs is located in Nevada, and its business activities occur exclusively in Nevada. All documents, scientists, and other witnesses relating to the invention and development of the '746 Patent and its related technologies are located in Nevada. There simply is no constitutional basis to support the Federal Circuit's holding that Petitioners were subject to specific personal jurisdiction in California.

The Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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APPENDIX A

United States Court of Appeals
for the Federal Circuit

02-1536

[Decided August 18, 20003]

ELECTRONICS FOR IMAGING, INC.,
Plaintiff-Appellant,

v.

JAN R. COYLE and KOLBET LABS,
Defendants-Appellees.

SUBSEQUENT HISTORY: As Corrected September 4, 2003.

JUDGES: Before RADER, BRYSON, and GAJARSA, Circuit Judges.

OPINION

GAJARSA, Circuit Judge.

Electronics for Imaging, Inc. ("EFI") appeals from the judgment issued by the United States District for the Northern District of California ("district court") granting the motion of Jan R. Coyle ("Coyle") and Kolbet Labs (collectively "defendants") to dismiss for lack of personal jurisdiction EFI's

first amended complaint for declaratory and injunctive relief. Elecs. for Imaging, Inc. v. Coyle, No. 01-CV-4853 (N.D. Cal. Mar. 26, 2002). EFI's complaint for declaratory and injunctive relief alleged that Coyle's United States Patent No. 6,337,746 ("the '746 patent") was invalid and that EFI had not misappropriated defendants' alleged trade secrets or breached any contract entered into with defendants. We conclude that the district court may exercise personal jurisdiction over defendants and such jurisdiction comports with due process. We therefore reverse and remand.

A. I. BACKGROUND

Plaintiff-appellant EFI, a Delaware corporation with its principal place of business in Foster City, California, is a world leader in the area of software and hardware imaging solutions for network printing. EFI develops, manufactures, and sells print controllers, which are devices that control printers and copiers. Defendant-appellee Kolbet Labs is a Nevada corporation. EFI believes that defendant-appellee Coyle, a Nevada resident, does business as Kolbet Labs. Both Coyle and Kolbet Labs engage in the research and development of computer software and hardware technology that can be used to more efficiently control digital printers and copiers.

Coyle filed United States Patent Application No. 08/987/212 ("the '212 application") on December 9, 1997, which eventually issued as the '746 patent on January 8, 2002. The subject matter of the '212 application concerned an interface card for coupling a computer to an external device. Coyle hired two different California firms to prosecute the '212 application.

In late 1999 or early 2000, Coyle solicited EFI and proposed that EFI purchase defendants' technology related to an interface card for controlling printers and copiers. Thereafter, on or about January 28, 2000, EFI and Kolbet Labs entered into a mutual nondisclosure agreement ("NDA"), which Coyle signed as "owner" of Kolbet Labs. The agreement addressed the treatment of certain confidential information disclosed during the course of discussing a "business possibility of mutual interest relating to digital image processing." In the NDA, the parties agreed to restrict use of the confidential information to reviewing and discussing such information in order to determine "whether to enter into a business relationship with the other party." The NDA was to terminate after a year, but the obligations of confidentiality as set forth would be binding on the parties for four years after the termination of the NDA. Finally, the NDA was "governed by and construed under the laws of the State of California, without reference to conflicts of laws principles."

After the signing of the NDA, defendants solicited EFI in California repeatedly, providing information regarding defendants' technology to EFI. At several different times around May and June 2000, Coyle's attorney in California, Newton Lee, sent EFI various documents relating to the progress of the '212 application, including copies of selected parts of the '212 application. In December 2000, Coyle contacted EFI in California again to solicit EFI's purchase of his technology. On December 13, 2000, two of defendants' representatives visited EFI's facility in California to demonstrate Coyle's interface card. After the visit, EFI informed Coyle that it was not interested in purchasing the technology.

In September 2001, Coyle informed EFI by telephone that the claims of the '212 application had been allowed by the U.S. Patent and Trademark Office, alleged that the allowed patent claims covered EFI's print controllers, and continued to report further new developments in his technology. Coyle later that month continued to solicit EFI by sending documents identifying the claims that had been allowed and additional information on defendants' technology.

Around the week of November 26, 2001, Coyle made telephone calls to EFI in California several times, alleging that EFI's print controllers infringed the claims of the '212 application. In these phone calls, Coyle also alleged that EFI's print controllers contained trade secret information belonging to Coyle and/or Kolbet Labs, and threatened to sue EFI for misappropriation of trade secrets and breach of the NDA. Coyle thereafter repeatedly threatened litigation throughout the next two weeks.

On December 11, 2001, before the '746 patent issued, EFI filed a complaint for declaratory and injunctive relief against defendants in the district court. EFI's complaint alleged that (1) EFI did not misappropriate any trade secret information belonging to defendants by sales of its print controllers or otherwise, and (2) EFI did not breach any NDA with defendants. After the '746 patent issued on January 8, 2002, EFI amended its complaint to allege that the claims of the '746 patent were invalid. Subject matter jurisdiction over these three claims was alleged to exist pursuant to 28 U.S.C. §§ 1331, 1332, and 1338. Defendants moved to dismiss the amended complaint for lack of personal jurisdiction.

On March 26, 2002, the district court granted defendants' motion pursuant to Rule 12(b)(2) of the Federal Rules of Civil Procedure ("Rule 12(b)(2)"). Applying Ninth Circuit law, the court held that EFI failed to show that defendants had purposefully directed its activities at California, thereby failing to establish that defendants had the "minimum contacts" in California necessary to justify the exercise of jurisdiction over defendants. EFI timely appealed, and we have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

B. II. DISCUSSION

[A.] Choice of Law and Standard of Review

We begin with the choice-of-law question: whether the personal jurisdiction analysis in this case is pursuant to Federal Circuit or regional circuit law. The district court applied Ninth Circuit law of personal jurisdiction to all three claims in the complaint. The parties concur that the district court erred in doing so, asserting that Federal Circuit law should apply to all three claims. We disagree with both the district court and the parties in this regard because Federal Circuit law applies to the patent claim and Ninth Circuit law applies to the state law claims.

Our prior decisions make clear that where the personal jurisdictional inquiry is "intimately involved with the substance of the patent laws," we apply Federal Circuit law. Akro Corp. v. Luker, 45 F.3d 1541, 1543 (Fed. Cir. 1995). We thus apply Federal Circuit law to the patent invalidity claim presented, even in the context presented here, where defendants in the declaratory judgment are the patentees. See id. The district court therefore erred to the extent that it applied Ninth Circuit

law on personal jurisdiction to the patent invalidity claim. However, the declaratory claims of non-misappropriation of trade secrets and non-breach of contract do not present questions that are intimately involved with the substance of the patent laws. See Amana Refrigeration, Inc. v. Quadlux, Inc., 172 F.3d 852, 857 (Fed. Cir. 1999) (analyzing personal jurisdiction question over defendant as to the state law trade libel and defamation claims under regional circuit law).

These claims therefore are governed not by Federal Circuit but regional circuit law, here that of the Ninth Circuit.[1]

Where the facts upon which the jurisdictional inquiry turns are undisputed, both the Ninth and Federal Circuits review de novo whether a district court has personal jurisdiction over a defendant. Akro, 45 F.3d at 1543 (further citations omitted); Sher v. Johnson, 911 F.2d 1357, 1360 (9th Cir. 1990). This

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[1] Although not addressed by the parties, the district court would also have personal jurisdiction over defendants as to the two state law claims provided that personal jurisdiction existed as to the patent claim and there was supplemental jurisdiction pursuant to 28 U.S.C. § 1367 existed as to the state law claims. Silent Drive, Inc., v. Strong Indus., Inc., 326 F.3d 1194, 1206 (Fed. Cir. 2003); 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1377-78 (Fed. Cir. 1998); Inamed Corp. v. Kuzmak, 249 F.3d 1356, 1362-63 (Fed. Cir. 2001); 13 Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure (hereinafter "Wright & Miller") § 3523.1 (2002)). While the issue of supplemental jurisdiction was not before this court, we note that the end result is the same - the district court can exercise personal jurisdiction over defendants for all three claims. Accordingly, we need not address whether the state law claims form part of the same case or controversy for purposes of supplemental jurisdiction.

circuit and the Ninth Circuit also agree that where the district court's disposition as to the personal jurisdictional question is based on affidavits and other written materials in the absence of an evidentiary hearing, a plaintiff need only to make a prima facie showing that defendants are subject to personal jurisdiction. Deprenyl Animal Health, Inc. v. Univ. of Toronto Innovations Found., 297 F.3d 1343, 1347 (Fed. Cir. 2002); Data Disc, Inc. v. Sys. Tech. Assoc., Inc., 557 F.2d 1280, 1285 (9th Cir. 1977). In the procedural posture of a motion to dismiss, a district court must accept the uncontroverted allegations in the plaintiff's complaint as true and resolve any factual conflicts in the affidavits in the plaintiff's favor. Deprenyl, 297 F.3d at 1347; Bancroft & Masters, Inc. v. Augusta Nat'l, Inc., 223 F.3d 1082, 1087 (9th Cir. 2000).

B. Specific Jurisdiction

EFI does not assert general jurisdiction in this case. Under general jurisdiction, the exercise of jurisdiction is proper where the defendant has continuous and systematic contacts, Helicopteros Nacionales de Colombia, S.A. v. Hall, 466 U.S. 408, 416, [80 L. Ed. 2d 404, 104 S. Ct. 1868] (1984), with the forum state, even if those contacts are not related to the cause of action. Rather, EFI seeks specific jurisdiction over defendants.[2]

Determining whether specific personal jurisdiction over a nonresident defendant is proper entails two inquiries: whether

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[2] Because EFI alleges that Coyle does business as Kolbet Labs, all contacts made by Coyle are also attributable to Kolbet Labs. It therefore is unnecessary to conduct separate minimum contact analyses with respect to each defendant in this case.

a forum state's long-arm statute permits service of process, and whether the assertion of jurisdiction would be inconsistent with due process. Inamed Corp. v. Kuzmak, 249 F.3d 1356, 1359 (Fed. Cir. 2001) (citing Genetic Implant Sys., Inc. v. Core-Vent Corp., 123 F.3d 1455, 1458 (Fed. Cir. 1997) (citing Burger King Corp. v. Rudzewicz, 471 U.S. 462, 471-76, [85 L. Ed. 2d 528, 105 S. Ct. 2174] (1985))); Sher, 911 F.2d at 1360. In this case, California's long-arm statute permits service of process to the limits of the due process clauses of the federal Constitution. See Cal. Civ. P. Code § 410.10 (West, WESTLAW through Ch. 43 of 2003-04 Reg. Sess. urgency legislation, Ch. 12 of 1st Ex. Sess. urgency legislation, & Ch. 1 of 2d Ex. Sess.) ("A court of this state may exercise jurisdiction on any basis not inconsistent with the Constitution of this state or of the United States."); Data Disc, 557 F.2d at 1286 (stating that California's long-arm statute is "co-extensive with the outer limits of due process under the state and federal constitutions, as those limits have been defined by the United States Supreme Court" (further citations omitted)). Therefore, the personal jurisdiction analysis in this case narrows to one inquiry: whether jurisdiction comports with due process.

Under the governing framework of personal jurisdiction, as developed in the Supreme Court jurisprudence,[3] the exercise of jurisdiction over nonresident defendants of a forum state is

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[3] We apply the framework of the Due Process Clause of the Fourteenth Amendment, as developed by the Supreme Court in International Shoe v. Washington, 326 U.S. 310, [90 L. Ed. 95, 66 S. Ct. 154] (1945), and its progeny, to claims that involve questions of federal law and that therefore must satisfy the Due Process Clause of the Fifth Amendment for personal jurisdiction purposes. Deprenyl, 297 F.3d at 1350 (further citations omitted).

not inconsistent with due process if the nonresident defendants have certain "minimum contacts" with the forum "such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" Int'l Shoe v. Washington, 326 U.S. at 316 (quoting Milliken v. Meyer, 311 U.S. 457, 462, [85 L. Ed. 278, 61 S. Ct. 339] (1940)). In general, there must be "some act" by which defendants "purposefully avail[]" themselves of the "privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws." Burger King, 471 U.S. at 475. The contacts made by defendants must therefore by their actions create a "substantial connection" to the forum state - where defendants have deliberately "engaged in significant activities within a State" or have "created 'continuing obligations' between [themselves] and residents of the forum - and "proximately result from the actions by the defendant[s] themselves," such that it is "presumptively not unreasonable to require [defendants] to submit to the burdens of litigation in that forum as well." Id. at 475-76 (further citations and quotations omitted).

1. Patent Invalidity Claim

As discussed supra Part II.A., Federal Circuit law applies to the question of whether the district court properly could exercise personal jurisdiction over defendants as to the patent invalidity claim. This court has adopted a three-factor test embodying the Supreme Court's jurisprudence on specific personal jurisdiction. To determine whether jurisdiction over an out-of-state defendant comports with due process, we look to whether (1) the defendant purposefully directed its activities at residents of the forum state, (2) the claim arises out of or relates to the defendant's activities with the forum state, and (3) assertion of personal jurisdiction is reasonable and fair.

Inamed, 249 F.3d at 1360 (citing Akro, 45 F.3d at 1545). The first two factors correspond to the "minimum contacts" prong of the International Shoe analysis, and the third factor with the "fair play and substantial justice" prong. Id. (citing Akro, 45 F.3d at 1545). While the plaintiff bears the burden to establish minimum contacts, upon this showing, defendants must prove that the exercise of jurisdiction is unreasonable. Id. (citing Akro, 45 F.3d at 1546).

a. "Purposefully directed"

We first conclude that defendants' contacts were "purposefully directed" at California. First, Coyle repeatedly threatened EFI over the telephone in November 2001. We have held that mere threats of infringement directed at the forum state are not sufficient to satisfy due process requirements when exercising jurisdiction over an out-of-state patentee. Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc., 148 F.3d 1355, 1361 (Fed. Cir. 1998) (holding that three cease-and-desist letters alone "do not suffice to create personal jurisdiction"). Rather, "other activities" distinct from threats of infringement are required for a patentee to be subject to personal jurisdiction in the forum. Silent Drive, Inc. v. Strong Indus., Inc., 326 F.3d 1194, 1202 (Fed. Cir. 2003) (citing Inamed, 249 F.3d at 1361 (quoting Genetic Implant, 123 F.3d at 1458)). We thus consider other relevant contacts with California demonstrating that defendants purposefully directed their activities to California. First, while the '746 patent was being prosecuted on Coyle's behalf, Coyle hired a California attorney, Newton Lee, who contacted EFI at various times to report on the progress of the pending application. Second, Coyle telephoned EFI in California at various times between approximately late 1999 (or early 2000) and fall of 2001 regarding the subject matter of

the technology covered by the patent application. Coyle's communications are significant in the personal jurisdiction calculus even though Coyle was not physically present in California when he made these communications. See Burger King, 471 U.S. at 476 ("[I]t is an inescapable fact of modern commercial life that a substantial amount of business is transacted solely by mail and wire communications across state lines, thus obviating the need for physical presence within a State in which business is conducted."). Third, two representatives of defendants visited EFI's facility in California for the purpose of demonstrating the technology underlying what later issued as the '746 patent. Far from being random, fortuitous, or attenuated, id. at 480, the totality of these contacts sufficiently make out EFI's prima facie case that defendants, by "engag[ing] in significant activities" in California, id. at 475-76, purposefully directed their activities to California.

b. "Arises out of or relates to"

We next examine whether EFI's declaratory claim of patent invalidity arises out of or is related to defendants' alleged contacts with California. See Akro, 45 F.3d at 1545. As related supra, Part II.A.1.a., such contacts include the visit of defendants' representatives to demonstrate the technology that formed the subject matter of the '746 patent, and various communications from Coyle and his attorney Lee to EFI concerning the underlying technology of the '746 patent. These contacts with California made by Coyle and Kolbet Labs clearly arise out of or are related to EFI's claim that the '746 patent is invalid. Thus, we conclude that EFI has met its prima facie burden of establishing defendants' minimum contacts.

[C.] "Reasonable and fair"

Once the plaintiff has shown that there are sufficient minimum contacts to satisfy due process, it becomes defendants' burden to present a "compelling case that the presence of some other considerations would render jurisdiction unreasonable." Burger King, 471 U.S. at 477. The reasonableness inquiry encompasses factors including (1) the burden on the defendant, (2) the interests of the forum state, (3) the plaintiff's interest in obtaining relief, (4) the interstate judicial system's interest in obtaining the most efficient resolution of controversies, and (5) the shared interest of the several states in furthering fundamental substantive social policies. Inamed, 249 F.3d at 1363, (citing Asahi Metal Indus. Co. v. Super. Ct. of Cal., 480 U.S. 102, 113, [94 L. Ed. 2d 92, 107 S. Ct. 1026] (1987)). Here, defendants are unable to demonstrate that it would be unreasonable for the district court to exercise jurisdiction over them. First, it would not impose much of a geographic burden for Nevada defendants to litigate in California. Second, California has a substantial interest in protecting its residents from unwarranted claims of patent infringement. See Deprenyl, 297 F.3d at 1356. Third, EFI also has an undisputed interest in protecting itself from patent infringement. Fourth, concerning the interstate judicial system's interest in obtaining efficient resolution of disputes, we recognize that Coyle has filed a complaint against EFI in the District Court for the District of Nevada alleging, among other things, antitrust violations, patent infringement, and breach of contract. J&L Elecs., LLC v. Elecs. for Imaging, Inc., No. CVS020266-KJD-LRL (filed Feb. 23, 2002). However, the still-pending Nevada case can be consolidated with the current action. Finally, we see no conflict between the interests of California and Nevada in furthering their own

respective substantive laws, as the same body of federal patent law would govern the patent invalidity claim irrespective of the forum.

In view of the above, defendants' arguments fail to convince the court that this is one of the "rare" situations in which sufficient minimum contacts exist but where the exercise of jurisdiction would be unreasonable. See Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1568 (Fed. Cir. 1994) (citing Burger King, 471 U.S. at 477)).

1. State Law Claims

EFI has also asserted two state law claims of non-breach of contract and non-misappropriation of trade secrets. We apply Ninth Circuit law in determining whether personal jurisdiction over defendants as to these claims would comport with due process. Under Ninth Circuit law, EFI is required to show that (1) defendants performed some act or consummated some transaction within the forum or otherwise purposefully availed themselves of the privilege of conducting activities in California, thereby invoking the benefits and protections of its laws, (2) EFI's claims arise out of defendants' California-related activities, and (3) the exercise of jurisdiction would be reasonable. Omeluk v. Langsten Slip & Batbyggeri A/S, 52 F.3d 267, 270 (9th Cir. 1995) (quotation omitted).

a. Non-Breach of Contract Claim

We first consider whether jurisdiction over defendants as to EFI's non-breach of contract claim is proper. Purposeful availment, the first part of the Ninth Circuit test, requires that defendants "performed some type of affirmative conduct which

allows or promotes the transaction of business within the forum state." Sher, 911 F.2d at 1362; (quoting Sinatra v. Nat'l Enquirer, Inc., 854 F.2d 1191, 1195 (9th Cir. 1988)). Here, EFI seeks a declaration that it has not breached the NDA between EFI and defendants. Thus, our analysis necessarily centers around the NDA and the attendant relevant facts. The Supreme Court has made clear that a contract alone cannot "automatically establish sufficient minimum contacts in the other party's home forum." Burger King, 471 U.S. at 478. Rather, where a contract between a forum and out-of-state resident is involved, the Court instructs us to examine the "prior negotiations and contemplated future consequences, along with the terms of the contract and the parties' actual course of dealing" to determine "whether the defendant purposefully established minimum contacts with the forum." Id. at 480.

As the district court recognized, the only obligation created by the NDA was the obligation of nondisclosure. Had the parties, after entering into the NDA, then failed to enter into a course of dealing invoking these principles of nondisclosure, the obligation of nondisclosure in the NDA would be a hollow one. In that case, we might agree with the district court that that there were no significant contacts made by defendants that would justify the exercise of jurisdiction over them. However, the parties' course of dealing subsequent to the NDA persuades us otherwise. Under the NDA, the parties agreed to be bound, until four years following termination of the agreement, by the confidentiality principles for all pertinent information exchanged between the parties from January 28, 2000, when the NDA was executed, until January 28, 2001, when the NDA terminated. These confidentiality principles thus governed defendants' multiple contacts to California during 2000, when

defendants allegedly conveyed information about and solicited EFI to purchase defendants' technology. These contacts include the phone and mail contacts made by Coyle and his California attorney Lee, as well as the visit of defendants' representatives to EFI's facility. That no actual sales agreement arose out of these contacts does not negate the fact that, in making these contacts, defendants took affirmative conduct to promote "the transaction of business within the forum state." Sher, 911 F.2d at 1362.

Moreover, the NDA included a California choice-of-law clause. As defendants correctly point out, a choice-of-law clause does not carry the same dispositive weight as a choice-of-forum clause in a personal jurisdiction analysis. Docksider Ltd. v. Seatech, Ltd., 875 F.2d [762,] at 763 (9th Cir. 1989). However, the choice-of-law clause here is far from irrelevant. Indeed, in light of the parties' actual course of dealing during 2000, this clause reinforces defendants' "deliberate affiliation with the forum State and the reasonable foreseeability of possible litigation there." Burger King, 471 U.S. at 482.

Thus, here we have defendants' repeated communications with and solicitation of EFI's business in California, as well as the NDA itself, which envisioned and governed such communications and which included a California choice-of-law clause. In light of these contacts, we conclude that EFI has set forth a sufficient prima facie case that the parties' "prior negotiations and contemplated future consequences, along with the terms of the contract and the parties' actual course of dealing," id. at 479, establish a purposeful availment of the laws and protections of California.

We next turn to the second part of the personal jurisdiction inquiry: whether a particular claim arises out of forum-related activities. The Ninth Circuit relies on a "but for" test in determining the second prong. Ballard v. Savage, 65 F.3d 1495, 1500 (9th Cir. 1995). The "but for" test is satisfied if, but for defendant's contacts with California, EFI's claims against defendants would not have arisen. See id. We conclude that the but for requirement is easily met here. The information provided from defendants to EFI during 2000 constitutes the factual basis for the very breach of contract action which Coyle allegedly threatened to bring against EFI and which led EFI to file this declaratory claim. Therefore, but for the NDA, the visit to EFI to demonstrate defendants' technology, and the numerous phone calls and letters from Coyle and his attorney Lee to EFI in California regarding defendants' technology, EFI would not be seeking a judicial declaration that it did not breach the confidentiality principles spelled out in the NDA.

Finally, we examine whether jurisdiction over defendants as to the non-breach of contract claim is reasonable. The Ninth Circuit considers the following factors, as distilled from the Supreme Court's decision in Burger King: (1) the extent of the defendant's purposeful injection into the forum, (2) the burden on the defendant, (3) the extent of conflict with the sovereignty of defendants' state, (4) the forum state's interest in adjudicating the dispute, (5) the most efficient resolution of the controversy, (6) the importance of the forum to the plaintiff's interest in convenient and efficient relief, and (7) the existence of an alternative forum. Bancroft, 223 F.3d at 1088 (citing Burger King, 471 U.S. at 476-77). Upon careful consideration of the above factors, we conclude that defendants fail to meet their burden of showing that this is the sort of "compelling case," id. (quoting Burger King, 471 U.S. at 477), in which the

exercise of jurisdiction would be unreasonable. For example, we note that pursuant to the choice-of-law clause in the NDA, California law would be applied to the breach of contract claim. We also note that California would be the locus of the facts relevant to establishing whether the contract was breached or performed satisfactorily by EFI.

b. Non-Misappropriation of Trade Secrets Claim

We also conclude that the district court's exercise of jurisdiction over defendants as to EFI's non-misappropriation of trade secrets claim would comport with due process. First, defendants purposefully availed themselves of the privilege of conducting activities in California, thereby invoking the benefits and protections of the laws of California. As related above, defendants allegedly solicited EFI in California repeatedly - including phone calls and other communications directed to EFI in California, as well as a visit to EFI - to buy defendants' technology. Second, but for these contacts, EFI would not have filed an action seeking a declaration of non-misappropriation of trade secrets. EFI's claim, and any facts necessary to proving or disproving it, would necessarily coalesce out of the information disclosed during defendants' communications to California. Finally, upon consideration of the reasonableness factors adopted by the Ninth Circuit, defendants fail to overcome the presumption that the exercise of jurisdiction would be reasonable.

III. CONCLUSION

Because we hold that EFI established a prima facie case that personal jurisdiction over defendants would be proper, we

reverse the district court's dismissal of EFI's complaint and remand for further proceedings consistent with this opinion.

REVERSED AND REMANDED.

Costs to appellant.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

No. C 01-4853 MJJ

[Filed March 27, 2002]

ELECTRONICS FOR IMAGING, INC.,
Plaintiff,

v.

JAN R. COYLE and KOLBET LABS,
Defendants.

ORDER GRANTING DEFENDANTS' MOTION TO DISMISS FOR LACK OF PERSONAL JURISDICTION

INTRODUCTION

Before this Court are Defendants Jan R. Coyle (Coyle) and Kolbet Labs (collectively "Defendants") motion to dismiss Plaintiff Electronics for Imaging's ("EFI") action for declaratory relief for lack of personal jurisdiction pursuant to

Federal Rule of Civil Procedure 12(b).[1] This motion requires the Court to determine whether EFI has met its burden to prove that the Court has personal jurisdiction over Defendants. Having considered papers and oral argument, the Court grants the motion for the following reasons.

BACKGROUND

EFI, a Delaware Corporation with its principal place of business in California, is a world leader in software and hardware imaging solutions for network printing. (Compl., ¶ 2.) Coyle, a resident of Nevada, and Kolbet Labs, a sole proprietorship operating in the state of Nevada and owned by Nevada resident Daniel Kolbet, engage in the research and development of computer software and hardware technology that can be used to more efficiently control digital printers and copiers. (Coyle Decl., ¶ 4-6)

Coyle first contacted EFI in 1997, offering to sell his technology. (Opp'n at 2, ¶ 2.). Coyle entered into a mutual Nondiscolure Agreement ("NDA") with EFI on behalf of Kolbet Labs. (Coyle Decl. ¶ 7.) In late 1999 or early 2000, Coyle contacted EFI in California and proposed that EFI purchase Defendants technology related to an interface card for controlling printers and copiers. (Compl., ¶ 11.) Near the end of January, 2000, representatives of EFI and Kolbet Labs, signed another NDA. (Coyle Decl., Ex. 2.) Following the

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[1] Defendants also moved for this Court, in the alternative, to dismiss or transfer for improper venue, to transfer for convenience or to dismiss under the Declaratory Judgments Act. The Court declines to reach the issue raised therein, having resolved Defendants motion for personal jurisdiction as it did.

execution of the NDA, representatives of EFI visited Defendants Nevada facility and informed Coyle during their visit to contact EFI again after Defendants patent application matured. (Compl., ¶ 13.) In May, 2000, Defendants counsel Newton Lee, a California attorney; [sic] began contacting EFI by telephone and mail to inform EFI of the progress of Defendants patent application. (Compl., ¶ 14-15.)

Coyle himself also remained in contact with EFI and sent representatives to EFI's facility in California to demonstrate Defendants technology. (Compl., ¶ 16.) EFI informed Coyle that it was not interested in purchasing Defendants interface technology. (Compl., ¶ 16.) Several months later Coyle contacted EFI numerous times by telephone to inform EFI that its print controllers infringed the claims of Coyle's patent application and that EFI's sales of the controllers would violate Coyle's patent once it issued. (Compl., ¶ 18.) Coyle alleged that EFI's print controllers contained trade secret information belonging to Defendants and, as a result, Coyle threatened EFI with litigation unless EFI paid $25 million for the technology. (Compl., ¶ 18.)

In response to Coyle's accusations and what EFI alleges were numerous threats to EFI and its investors that a lawsuit was imminent, an EFI representative met with Coyle and Coyle's attorneys on December 05, 2001 in Nevada. (Compl., ¶ 19.) At the December 05 meeting, EFI contends that Coyle requested $18 million be delivered to him by December 15 or else EFI would face litigation. (Compl., ¶ 21.) EFI contends it considered this offer until several days later when it became aware that the controller that allegedly contained trade secrets was introduced by EFI before Defendants had even disclosed their trade secrets to EFI. (Compl., ¶ 21.) As a result, EFI

denies that it has misappropriated any trade secret or breached any agreement with Defendants and, based on what it alleges is a "reasonable apprehension of an impending lawsuit," brought this action against Defendants seeking declaratory relief.

ANALYSIS

Rule 12(b)(2) of the Federal Rules of Civil Procedure permits a defendant to move to dismiss a complaint for lack of personal jurisdiction. The plaintiff has the burden of proving that the Court has personal jurisdiction over the defendant. See American Telephone & Telegraph Co. v. Campagne Bruxelles Lambert, 94 F.3d 586, 588 (9th Cir. 1996). Here, because there was no evidentiary hearing, dismissal for lack of personal jurisdiction is appropriate only if EFI has made a prima facie showing of personal jurisdiction. Id. For purposes of deciding whether a prima facie case for personal jurisdiction exists, the uncontroverted allegations in EFI's complaint must be taken as true and conflicts between the facts contained in the parties affidavits must be resolved in EFI's favor. See Bancroft & Masters, Inc. v. Augusta National Inc., 223 F.3d 1082, 1087 (9th Cir. 2000).

Where as here, there is no applicable federal statute governing personal jurisdiction, the law of the state in which the district sits applies. Core-Vent Corp. v. Nobel Industries AB, 11 F.3d 1482, 1484 (9th Cir. 1993). As California's long-arm statute allows the Court to exercise personal jurisdiction to the extent permitted by the Due Process Clause of the United States Constitution, the Court need only determine whether personal jurisdiction in this case would meet the requirements of due process. Id. Federal due process requires that a

nonresident defendant have minimum contacts with the forum state such that the exercise of personal jurisdiction does not offend traditional notions of fair play and substantial justice. International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945). Thus, Defendants conduct and connection with the forum in the instant case must be such that Defendants should reasonably anticipate being haled into court in California. World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 297 (1980).

The constitutional test may be satisfied in either of two ways. Id. General jurisdiction exists if the nonresident's contact with the forums are continuous and systematic and the exercise of jurisdiction satisfies traditional notions of fair play and substantial justice. Ziegler v. Indian River Country, 64 F.3d 470, 473 (9th Cir. I995). If general jurisdiction exists, the Court has jurisdiction over Defendants even if the cause of action is unrelated to Defendants forum activities. Omeluk v. Langsten Slip & Batbyggeri, A/S, 52 F.3d 267, 270 (9th Cir. 1995). If general jurisdiction does not exist, the Court still may be able to assert specific jurisdiction over Defendants for a cause of action that arises out of Defendants forum-related activities. Rano v. Sipa Press, Inc., 987 F.2d 580, 588 (9th Cir. 1993). Specific jurisdiction exists where the plaintiff can show that the defendant (1) purposely directed its activities at the forum state or purposely availed itself of the privilege of conducting activities within the state, (2) the plaintiff's claims arise out of the defendant's forum-related activities, and (3) the exercise of personal jurisdiction is reasonable. See Omeluk, 52 F.3d at 270.

I. General Personal Jurisdiction

As aforementioned, for this Court to exercise general jurisdiction over Defendants, Defendants must have engaged in "substantial" or "continuous and systematic" activities in California. See Bancroft & Masters, Inc., 223 F.3d at 1086 (citing Helicopteros Nacionales de Colombia, S.A.v. Hall, 466 U.S. 408, 415 (1984)). Here, EFI does not argue that the Court has general jurisdiction over Defendants. The Court agrees that Defendants contacts in California are neither substantial nor continuous for purposes of asserting general jurisdiction. The Court now moves on to determine whether it may exercise specific jurisdiction over Defendants.

II. Specific Personal Jurisdiction

Although there is no general jurisdiction over Defendants in California, the Court may still exercise specific jurisdiction if Defendants purposely directed its activities at the forum state. The purposeful availment requirement "ensures that a defendant will not be haled into a jurisdiction solely as a result of random, fortuitous, or attenuated contacts, or of the unilateral activity of another party or third person." Burger King Corp. v. Rudzewicz, 471 U.S. 462, 475 (1985) (internal quotations and citations omitted). If Defendants have taken deliberate action within California or have created continuing obligations to EFI, the Court must find this requirement satisfied. See id.; see also Ballard v. Savage, 65 F.3d 1495, 1498 (9th Cir. 1995).

Proper jurisdiction, however, does not require that Defendants be physically present within, or have physical contacts with, the forum. See Burger King, 471 U.S. at 476.

Thus, as long Defendants efforts are purposefully directed toward EFI, personal jurisdiction may attach.

EFI contends that Defendants are subject to specific jurisdiction not only for deliberate actions within the forum, but also for actions Defendants took from outside the forum. In support, EFI relies on Calder v. Jones, 465 U.S. 783, 787 (1984), for the proposition that jurisdiction is proper when an alleged wrongdoing is intentionally directed at a California resident. EFI attempts to meet the purposeful availment requirement with the following evidence: (1) Coyle made threatening phone calls and sent mail from Nevada to EFI in California; (2) Defendants sent representatives to visit the forum and solicit sales from EFI; (3) Defendants hired California counsel Newton Lee to negotiate the NDA and to disclose Defendants trade secrets to EFI; (4) Defendants inserted a California choice of law clause into the NDA; (5) Defendants employed a California engineer to develop its technology. (Etheridge Decl., ¶¶ 2-13; Hill Decl., ¶¶ 2-9, 11-12.)

In response, Defendants argue that EFI is trying to superimpose its own behavior on Defendants to establish personal jurisdiction over Defendants. Defendants also argue that although EFI's alleged trade misappropriation originated in California this should not be attributed to Defendants, especially because Defendants shared their trade secrets with EFI during a visit made by EFI's representatives to Nevada. (Coyle Decl., ¶ 10, Ex. B.) Defendants further assert that they have no deliberate contact with California because Defendants have no bank account, residence, post office box, employees or facilities in California. (Mot. at 6, ¶ 13.) Defendants contend that none of the claims in this action arise out of any

solicitation made by Defendants in California. (Reply at 5, ¶ 26.) Instead, Defendants argue that the claims brought by EFI involve inventive activities and trade misappropriation. As such, Defendants assert that all of their inventive activities have taken place entirely in Nevada. (Mot. at 8, ¶ 7.)

Defendants also argue that neither the NDA nor choice of law provision are evidence of purposeful availment. Defendants contend that contract formation alone is not enough for personal jurisdiction to attach, especially here where the NDA was not intended to establish an ongoing relationship. See U.S. Restaurant Prop. Operating L.P. v. Aloha Petroleum, Ltd., No. 3:01-CV-0987-D, 2001 U.S. Dist. LEXIS 20109 (N.D. Tex. Dec. 5, 2001). Further, Defendants contend that although the parties inserted and agreed to a California choice of law clause in the NDA, this clause should not be treated the same as a choice of forum clause. See Docksider Ltd. v. Sea Tech., Ltd., 875 F.2d 762, 763 (9th Cir. 1989). Defendants argue that had EFI desired a choice of forum clause in the NDA, EFI, as the more powerful and wealthy company, could have easily requested one.

Finally, Defendants contend that it was EFI who had a proactive relationship with Defendants, asking Coyle to stay in touch and keep EFI updated. Further, Defendants contend that the telephone, fax and mail contact they made with EFI essentially amounted to cease and desist activity, making these contacts an insufficient basis for specific jurisdiction. See Gator.com v. L.L. Bean, Inc., No. C 01-01126 MEJ, 2001 WL 1528393, *8 (N.D. Cal. Nov. 21, 2001). Defendants also point out that EFI fails to cite any authority to show that the activities alleged against Defendants constitute specific jurisdiction.

Although a prima facie jurisdictional analysis requires the Court to accept EFI's allegations as true, the Court finds Defendants stand on stronger ground here. As discussed below, Defendants direct and indirect actions in the instant case cannot satisfy the purposeful availment prong of specific jurisdiction. See Sher v. Johnson, 911 F.2d 1357, 1362 (9th Cir. 1990) (citing Burger King, 471 U.S. at 478).

The Court finds that the 1997 and 2000 NDAs, although negotiated and executed in California, were not intended to establish an ongoing and substantial relationship between the parties. The mere existence of a contract with EFI in California does not alone constitute sufficient minimum contacts for jurisdiction. See Sher, 911F.2d at 1361. Here, the NDAs led to a relationship between Defendants and EFI whereby each party had only one obligation; to respect each other's disclosed technology. Such a relationship between the parties can hardly be considered ongoing and substantial for the purpose of minimum contacts.

Even if the Court accepts EFI's contention that the 1997 and 2000 NDAs were negotiated as a result of Defendants solicitations in hope of establishing a future mutual business relationship with EFI, the NDAs created no economic relationship with California. See Van Steenwyk v. Interamerican Management Consulting Corp., 834 F. Supp. 336, 341 (E.D. Wash. 1993) (contract in breach of contract action brought by employee did not establish minimum contacts because contract was not to have been performed in state). Similarly, in Charles Schwab v. Duffy, 49 U.S.P.Q. 2d 1862, 1863 (N.D. Cal. 1998), the court held that the defendant's combined acts of sending several threatening letters to a California corporation and unsuccessful attempts to

promote a business relationship were insufficient to create jurisdiction. In Schwab, the court commented, "[defendant's] attempts to cultivate a business relationship did not result in the formation of a contract, let alone a contract that envisioned ongoing activity in California." Id. Similarly, although EFI and Defendants negotiated and entered into two NDAs, the NDA's did not envision ongoing activity in California (Coyle Decl., ¶ 11.)

Further, the Ninth Circuit has held that threats of infringement do not satisfy the purposeful availment prong. See Cascade Corporation v. Hiab-Foco AB, 619 F.2d 36 (9th Cir. 1980) (where defendants contacts are minimal with the forum, sending a threatening letter to the forum is insufficient to assert jurisdiction); see also Peterson v. Kennedy, 771 F.2d 1244, 1262 (9th Cir, 1985) (the use of the mails, telephone, or other international communications ordinarily does not qualify as purposeful activity invoking the benefits and protections of the forum state). Although a few district court cases have declined to follow the Ninth Circuit, holding that making multiple threatening phone calls or sending multiple threatening letters or faxes to California is by itself enough to confer personal jurisdiction, the Court is disinclined to break with binding precedent here. Compare Oki America v. Tsakanikas, No. C 93-20728 JW, 1993 WL 515869 (N.D. Cal. Dec. 6, 1993) (jurisdiction based on one letter, two phone calls and 2 faxes), with Gator.com, 2001 WL 1528393 at *8 (sending a threatening cease and desist letter did not constitute purposeful availment because it did not create any injury in California and did not force the plaintiff to file suit).

Accordingly, the Court finds that because EFI has failed to show that Defendants have taken deliberate action within

California or have created continuing obligations to EFI, the purposeful availment requirement of specific jurisdiction is not satisfied and jurisdiction is improper. While it is true that in certain cases an assertion of personal jurisdiction may be "reasonable" even though there is no purposeful availment, see Brand v. Dodge, 796 F.2d 1070, 1075 (9th Cir. 1986), this is not such a case. Here, EFI has failed to establish that Defendants had other than the most attenuated contacts with California. See McGlinchy v. Shell Chem. Co., 845 F.2d 802, 817-18 n. 10 (9th Cir. 1988) (declining to assert jurisdiction where purposeful availment requirement was not met because all three parts of the minimum contacts test must be satisfied to establish specific personal jurisdiction).

CONCLUSION

For the foregoing reasons, the Court GRANTS Defendants motion to dismiss for lack of personal jurisdiction.[2]

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[2] After Defendants filed their motion to dismiss for lack of personal jurisdiction, EFI filed an ex parte motion to compel jurisdictional discovery. Before EFI's opposition was due, the Court denied its motion because EFI failed to establish that pertinent facts bearing on the question of jurisdiction are controverted, only that Defendants failed to mention certain facts in their respective declarations which they filed in support of the motion to dismiss, namely those factors detailed in EFI's first amended complaint as to Defendants contacts, and because the Court was unable to assess the merits of the motion filed by Defendants because it does not have EFI's opposition before it. See Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406, 430 n. 24 (9th Cir. 1977) (finding that it is within the Court's discretion to order discovery "where pertinent facts bearing on the question of jurisdiction are controverted ... or where a more satisfactory showing of the facts is necessary.") This denial was

IT IS SO ORDERED.

Dated: March 26, 2002 /s/ _____
Martin J. Jenkins
United States District Judge

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without prejudice so that EFI might renew their request together with their opposition; however, EFI did not renew its request in its opposition.

APPENDIX C

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

This case involves the following constitutional and statutory provisions:

1. U.S. Constitution, Amendment V:

"No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation."

2. U.S. Constitution, Amendment XIV, Section 1:

"All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of

life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

3. 28 U.S.C. § 2201(a):

"In a case of actual controversy within its jurisdiction, except with respect to Federal taxes other than actions brought under section 7428 of the Internal Revenue Code of 1986, a proceeding under section 505 or 1146 of title 11, or in any civil action involving an antidumping or countervailing duty proceeding regarding a class or kind of merchandise of a free trade area country (as defined in section 516A(f)(10) of the Tariff Act of 1930), as determined by the administering authority, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such."

4. Cal. Code Civ. P. § 410.10:

"A court of this state may exercise jurisdiction on any basis not inconsistent with the Constitution of this state or of the United States."

APPENDIX D

MUTUAL NONDISCLOSURE AGREEMENT

THIS AGREEMENT is made on September 16, 1997 by and between Electronics for Imaging, Inc., ("EFI") having its principal address as 2855 Campus Drive, San Mateo, CA 94403 and Kolbet Labs. ("Company") having its principal address as Reno, Nevada.

1. Purpose. EFI and Company wish to discuss a business possibility of mutual interest relating to the exchange of certain confidential and proprietary information relating to Kolbet Labs' technology and the implementation of such technology in future EFI products. During such discussions, each party may disclose its Confidential Information to the other.
2. Definition. "Confidential Information" means any information, technical data, or know-how that, if disclosed in written form, is designated in writing to be confidential or proprietary, or if disclosed orally, is summarized and confirmed in writing within thirty (30) days as being confidential or proprietary. Confidential Information does not include information, technical data or know-how that (i) is in the possession of the receiving party at the time of disclosure as shown by the receiving party's files and records in existence prior to the time of disclosure, or (ii) prior to or after the time of disclosure becomes part of the public knowledge or literature, not as a result of any wrongful inaction or action of the receiving party, or (iii) is developed independently by the receiving party without use of or

reference to the Confidential Information of the disclosing party, or (iv) is properly acquired from a third party having the right to disclose such information, or (v) is approved in writing for release by the disclosing party.

3. Non-Disclosure of Confidential Information. Each party agrees not to use the Confidential Information disclosed to it by the other party for its own use or for any purpose except to review and discuss such Confidential Information in order to determine whether to enter into a business relationship with the other party. Neither party shall disclose the Confidential Information of the other party to third parties or to its own employees except employees who are required to have the information in order to carry out the contemplated business discussions. Each party has had or shall have employees to whom Confidential Information of the other is disclosed sign a non-disclosure agreement in content substantially similar to this Agreement. Each party agrees that it shall take all reasonable efforts to avoid disclosure of Confidential Information of the other including efforts at least as great as those used to protect its own confidential information. Each party agrees to notify the other party in writing of any misuse or misappropriation of any Confidential Information of the other which may come to its attention.
4. Return of Materials. The receiving party shall return promptly to the disclosing party all copies of the disclosing party's Confidential Information in tangible form after the business discussions have been terminated or at any time upon the disclosing party's request.

5. No License. Nothing in the Agreement is intended to grant any rights under any patent or copyright of either party, and this Agreement does not grant either party any rights in or to the other party's Confidential Information, except as expressly provided herein.
6. Right to Disclose. Each party to this Agreement represents and warrants that it has the right to disclose the Confidential Information and that the disclosure of the Confidential Information does not conflict with the terms of any agreement between the disclosing party and a third party.
7. Term. This Agreement will terminate one (1) year from the date of this Agreement. The obligations in this Agreement with respect to Confidential Information disclosed during such period shall survive any termination of this Agreement and shall continue for a period of four (4) years following termination of this Agreement.
8. Remedies. Each party agrees that any violation or threatened violation of this Agreement will cause irreparable harm to the other party, and that the other party shall be entitled to obtain injunctive relief in addition to all legal remedies.
9. Governing Law and Jurisdiction. This Agreement shall be governed by and construed under the laws of the State of California, without reference to conflicts of laws principles.
10. Miscellaneous. This Agreement shall be binding upon and for the benefit of the undersigned parties, their successors and assigns. Failure to enforce any provision of this Agreement shall not constitute a waiver of any term hereof. This Agreement contains

the entire agreement between the parties with respect to the subject matter hereof.

Kolbet Labs	Electronics for Imaging, Inc.
By: /s/_____	By: /s/_____
Jan Coyle	Eric Salzman Vice President, Strategic Relations

MUTUAL NONDISCLOSURE AGREEMENT

THIS AGREEMENT is made on January 28, 2000 by and between Electronics for Imaging, Inc., ("EFI") having its principal address at 303 Velocity Way, Foster City, CA 94404 and Kolbet Labs ("Company") having its principal address at 2135 Green Vista Drive, Suite 107 Sparks, NV 89431.

1. Purpose. EFI and Company wish to discuss a business possibility of mutual interest relating to digital image processing. During such discussions, each party may disclose its Confidential Information to the other.

2. Definition. "Confidential Information" means any information, technical data, or know-how that, if disclosed in written form, is designated in writing to be confidential or proprietary, or if disclosed orally, is summarized and confirmed in writing within thirty (30) days as being confidential or proprietary. Confidential information includes the existence and nature of discussions between the parties. Confidential Information does not include information, technical data or know-how that (i) is in the possession of the receiving party at the time of disclosure as shown by the receiving party's files and records in existence prior to the time of disclosure, or (ii) prior to or after the time of disclosure becomes part of the public knowledge or literature, not as a result of any wrongful inaction or action of the receiving party, or (iii) is developed independently by the receiving party without use of or reference to the Confidential Information of the disclosing party, or (iv) is properly acquired from a third party having the right to disclose such information, or (v) is approved in writing for release by the disclosing party.

3. Non-Disclosure of Confidential Information. Each party agrees not to use the Confidential Information disclosed to it by the other party for its own use or for any purpose except to review and discuss such Confidential Information in order to determine whether to enter into a business relationship with the other party. Neither party shall disclose the Confidential Information of the other party to third parties or to its own employees except employees who are required to have the information in order to carry out the contemplated business discussions. Each party has had or shall have employees to whom Confidential Information of the other is disclosed sign a non-disclosure agreement in content substantially similar to this Agreement. Each party agrees that it shall take all reasonable efforts to avoid disclosure of Confidential Information of the other including efforts at least as great as those used to protect its own confidential information. Each party agrees to notify the other party in writing of any misuse or misappropriation of any Confidential Information of the other which may come to its attention.

4. Return of Materials. The receiving party shall return promptly to the disclosing party all copies of the disclosing party's Confidential Information in tangible form after the business discussions have been terminated or at any time upon the disclosing party's request.

5. No License. Nothing in this Agreement is intended to grant any rights under any patent or copyright of either party, and this Agreement does not grant either party any rights in or to the other party's Confidential Information, except as expressly provided herein.

6. Right to Disclose. Each party to this Agreement represents and warrants that it has the right to disclose the Confidential Information to the other party and that the disclosure of the Confidential Information to the other party does not conflict with the terms of any agreement between the disclosing party and a third party.

7. Term. This Agreement will terminate one (1) year from the date of this Agreement. The obligations in this Agreement with respect to Confidential Information disclosed during such period shall survive any termination of this Agreement and shall continue for a period of four (4) years following termination of this Agreement.

8. Remedies. Each party agrees that any violation or threatened violation of this Agreement will cause irreparable harm to the other party, and that the other party shall be entitled to obtain injunctive relief in addition to all legal remedies.

9. Governing Law and Jurisdiction. This Agreement shall be governed by and construed under the laws of the State of California, without reference to conflicts of laws principles.

10. Miscellaneous. This Agreement shall be binding upon and for the benefit of the undersigned parties, their successors and assigns. Failure to enforce any provision of this Agreement shall constitute a waiver of any term hereof. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof.

COMPANY: Kolbet Labs

By: /s/_____
Printed Name: Jan R. Coyle
Title: Owner
Date: Jan 28, 2000

ELECTRONICS FOR IMAGING, INC.

By: /s/_____
Printed Name: Marianne R. Cali
Title: Director, Business Development
Date: January 28, 2000

APPENDIX E

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

No. C 01-4853 MJJ

[Filed January 8, 2002]

ELECTRONICS FOR IMAGING, INC., a Delaware corporation, Plaintiff,	)
v.	)
JAN R. COYLE, an individual, and KOLBET LABS, a Nevada sole proprietorship, Defendants.	)

FIRST AMENDED COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

Plaintiff Electronics for Imaging, Inc. ("EFI"), for its claims against Defendants Jan R. Coyle ("Coyle") and Kolbet Labs, alleges as follows:

JURISDICTION

1. Plaintiff EFI files this action against Defendants for declaratory relief under 28 U.S.C. Sections 2201-2202. This

Court has subject matter jurisdiction over this declaratory judgment action under 28 U.S.C. Sections 1331-32 and 1338.

2. EFI's principal place of business is within this judicial district, and Defendants have accused EFI of performing, within this judicial district, acts constituting trade secret misappropriation, breach of contract and patent infringement. Defendants delivered the alleged trade secret information to EFI within this judicial district, entered into the alleged contract that EFI allegedly breached in this judicial district, and are subject to personal jurisdiction within this judicial district.

3. The matter in controversy exceeds the sum of $75,000, exclusive of interest and costs, and is between citizens of different states.

VENUE

4. Venue is proper under 28 U.S.C. Section 1391 (a)(2) and (b)(2).

INTRADISTRICT ASSIGNMENT

5. EFI's principal place of business is located within the County of San Mateo, and this action should therefore be assigned to either the San Francisco or Oakland division pursuant to Civil L.R. 3-2(c).

THE PARTIES

6. EFI is a Delaware corporation with its principal place of business in this judicial district at 303 Velocity Way, Foster City, California 94404.

7. EFI is informed and believes that Coyle is an individual residing at 7498 Old U.S. Highway 395 N, Washoe Valley, Nevada 89704.

8. EFI is informed and believes that Coyle does business as Kolbet Labs and has a principal place of business at 2135 Green Vista Drive, Suite 107, Sparks, Nevada 89431.

FACTUAL ALLEGATIONS

9. EFI is the world leader in software and hardware imaging solutions for network printing. EFI's industry-leading technologies, including EFI's Fiery®, Splash™ and EDOX® brand color imaging solutions, offer customers powerful document management tools, seamless networking, high-fidelity color and black-and-white output, and greater productivity and cost efficiency. EFI develops, manufactures and sells its products in this judicial district.

10. EFI's Fiery®, Spash™ and EDOX® print controllers are devices for controlling printers and copiers. Almost 900,000 EFI print controllers are installed worldwide. EFI provides the world's leading manufacturers of printers and copiers with print controllers for almost every printer and copier. EFI's Fiery®, Splash™ and EDOX® print controllers provide solutions for every segment of the digital printing market, from entry-level desktop printers to production-level digital copiers.

11. In late 1999 or early 2000, Coyle contacted EFI and proposed that EFI purchase Defendants' technology related to an interface card for controlling printers and copiers. Coyle claimed that his interface card outperformed EFI's print

controllers, cost less than EFI's print controllers, and would render EFI's products noncompetitive in the marketplace. He also referred to his history of filing patent infringement lawsuits against large corporations, including Atari, Inc., Nintendo of America, Inc., Sega of America, Inc. and NEC Technologies, Inc.

12. On or about January 28, 2000, representatives of EFI and Kolbet Labs signed a document entitled "Mutual Nondisclosure Agreement." Coyle signed the document as "Owner" of Kolbet Labs.

13. On or about April 5, 2000, representatives of EFI visited Defendants' Nevada facility. During that visit Coyle showed EFI's representatives a sample of the interface card and demonstrated its operation. He also disclosed that Defendants had filed a patent application on the interface card. Coyle asserted that Defendants' interface card was clearly superior to EFI's print controllers and urged EFI to buy the technology before he sold it to EFI's competitors. Coyle urged EFI's representatives to take schematics of the interface card, but they declined his invitation. Coyle also refused to provide any specific information about his patent application. EFI's representatives declined to enter into any agreement concerning Defendants' technology, but advised Coyle to contact EFI again after Defendants' patent application actually matured into a patent. EFI's representatives left without taking any written information.

14. In or about May 2000, Defendants' counsel Newton Lee contacted EFI on Defendants' behalf and reported on the progress of Defendants' patent application. The following day,

Mr. Lee sent EFI a letter, copies of selected portions of Defendants' patent application and related documents.

15. In or about June 2000, Mr. Lee wrote to update EFI on the progress of the patent application, providing additional documents relating to the patent application.

16. In December 2000, Coyle again contacted EFI to inform EFI that he had made new improvements to his technology. He stated that he was close to selling his invention and technology to EFI's competitors and that such a sale would put EFI out of business. He repeatedly suggested that EFI should purchase Defendants' technology. EFI proposed a meeting at EFI's facility to afford Defendants the opportunity to demonstrate the features and functionality of their interface card in a direct comparison to one of EFI's products. On December 13, 2000, two of Defendants' representatives visited EFI's facility in this judicial district to demonstrate the features and functionality of Defendants' interface card. At that meeting, however, Defendants' interface card failed to perform as Defendants represented, and the benchmarking tests were unable to be completed. At the conclusion of that meeting, EFI's representatives told Defendants' representatives that Defendants' technology was not useful to EFI. Later that month, Coyle again called EFI claiming to be on the verge of selling the technology to EFI's competitors. Coyle assured EFI that he would drive EFI out of business. Coyle was politely informed that EFI was not interested in purchasing Defendants' interface card technology and that he should seek other buyers.

17. In or about September 2001, Coyle again contacted EFI by telephone. Having been previously rebuffed regarding the technology, he shifted his focus to his patent application

and the potential effect of the patent that would issue from that application. During that telephone conversation, Coyle reported further new developments in his technology and, most importantly, that the United States Patent and Trademark Office had allowed the claims of his patent application. He then asserted that the allowed patent claims covered all of EFI's print controllers. EFI asked for a copy of the allowed patent claims and additional information about the technology that Defendants wanted EFI to purchase. Later that month, Coyle sent to EFI documents identifying the patent claims that had been allowed and additional information about Defendants' technology.

18. In or about the week of November 26, 2001, Coyle telephoned EFI several times. In those conversations and telephone voice mail messages, Coyle alleged that all of EFI's print controllers, including the Fiery®, Splash™ and EDOX® print controllers infringed the claims of his patent application (including the statement that "All of your boards violate my patent"), and that EFI's sales of those print controllers would literally infringe the claims of the patent that would soon issue from that patent application (including the statement that "the lawyers have looked at it and it's a slam dunk infringement"). He demanded that EFI pay $25 million for Defendants' technology. For the first time, Coyle also alleged that EFI's print controllers, including the EDOX® print controllers, contain trade secret information belonging to Coyle and/or Kolbet Labs (including the statement that, "The EDOX® board is an exact copy of my trade secrets"). Coyle threatened to bring separate lawsuits against EFI for misappropriation of trade secrets and breach of the Nondisclosure Agreement and against EFI, its partners, and its customers for infringement of Defendants' then-soon-to-issue patent, all based on EFI's sales

of its print controllers (including the statement that, "we'll sue all of your customers, Xerox, Canon, HP ..."). Almost daily, throughout that week and the following week, Coyle repeatedly threatened litigation (including statements that, "bad things are gonna happen," "the bomb is going to go off soon" and "the whole thing is going to collapse"). Coyle's statements (including, "you ain't seen bad, but it's coming," and "You don't have much time 'til the bomb goes off and the whole thing collapses") led EFI to believe that it faced imminent lawsuits for patent infringement, trade secret misappropriation and breach of contract. Coyle assured EFI that he had multiple teams of attorneys working on these various complaints. Later, he identified specific attorneys and law firms and stated, "I am the only one who can stop this litigation now."

19. On December 5, 2001, an EFI representative met with Coyle and Coyle's attorneys in Reno, Nevada to discuss Defendants' claims. At that meeting, Coyle claimed that his technology was three years ahead of EFI's technology, and he again repeatedly threatened EFI with lawsuits. Specifically, Coyle stated, "If we don't get a deal, we will pull the trigger and execute the litigation." He also said, "I will sue you and I will fight 'til we are all bloody," and "You'll have no more chances .... I can afford a fight, we will never give up, I will bury you."

20. After that meeting, Coyle made clear that if he did not receive $18 million by December 15, 2001, then "all hell would break loose, I will fight until the end and then my estate will carry on the fight." Coyle added that he would sue EFI and drive its stock price "into the gutter" and that EFI's shareholders would lose millions of dollars.

21. After the December 5, 2001 meeting, EFI determined that the EDOX controller that Defendants alleged contained Defendants' trade secrets was introduced before Defendants disclosed any of their purported trade secrets to EFI.

22. EFI denies that it misappropriated any trade secret or other information from any of the Defendants. EFI also denies that it breached any agreement, including the Mutual Nondisclosure Agreement, with any of the Defendants.

23. On December 11, 2001, EFI notified Defendants of its position and declined to purchase Defendants' technology. A substantial, sufficiently immediate and real controversy now exists between EFI and Defendants on the trade secret misappropriation and breach of contract claims. Further, Defendants' explicit threats and actions create in EFI a reasonable apprehension of an impending lawsuit on those claims.

24. On January 8, 2002, the United States Patent and Trademark Office granted Coyle United States Patent No. 6,337,746, entitled "Interface Card for Coupling a Computer to an External Device" ("'746").

25. After the December 5, 2001 meeting, EFI analyzed the allowed, but then yet to be issued, patent claims. On December 10, 2001, EFI determined that each and every allowed patent claim was invalid because the claims covered subject matter identical to that incorporated into products by EFI and others several years before the filing date of Defendants' patent application. Specifically, Management Graphics, Inc. ("MGI"), a company that EFI acquired in

August 1999, began selling in the United States an interface card known as the JetStream Direct Connection Board ("JetStream Board") on or prior to July 11, 1994. Thus, sales of the JetStream Card preceded the filing of Defendants' patent application by more than three years. The JetStream Board, in conjunction with the computer in which it operates, meets every limitation of the claims of Coyle's '746 patent. EFI therefore denies any liability for infringement of Coyle's '746 patent because the claims are invalid.

26. On December 11, 2001, EFI notified Defendants of its position and declined to purchase Defendants' patent. A substantial, immediate and real controversy now exists between EFI and Defendants on the patent infringement claim. Further, Defendants explicit threats and actions create in EFI a reasonable apprehension of an impending lawsuit on that claim.

FIRST CLAIM FOR RELIEF (ALL DEFENDANTS) DECLARATORY JUDGMENT OF NO TRADE SECRET MISAPPROPRIATION

27. EFI realleges and incorporates the allegations of paragraphs 1 through 26.

28. EFI has not misappropriated any trade secret information of any of the Defendants. EFI has not acquired any trade secret information from any of the Defendants by improper means. EFI has not disclosed or used any trade secret information of Defendants.

29. The information allegedly misappropriated by EFI is not protectible as a trade secret because it was publicly

disclosed before Defendants disclosed it to EFI. In particular, EFI is informed and believes that the particular model of EDOX® print controller that Defendants identified as containing Defendants' trade secret information was on sale to consumers before Defendants disclosed any of their alleged trade secret information to EFI.

30. Based on the foregoing actions of Defendants, EFI reasonably apprehends an impending lawsuit on Defendants' claim of trade secret misappropriation arising out of EFI's sales of its Fiery®, Splash™ and EDOX® print controllers.

31. Defendants' actions have created an actual, justiciable controversy between the parties regarding EFI's sales of its Fiery®, Splash™ and EDOX® print controllers and Defendants' claim of trade secret misappropriation.

SECOND CLAIM FOR RELIEF (ALL DEFENDANTS)
DECLARATORY JUDGMENT OF NO
BREACH OF CONTRACT

32. EFI realleges and incorporates the allegations of paragraphs 1 through 26.

33. EFI has not breached any provisions of the January 28, 2000 document entitled "Mutual Nondisclosure Agreement."

34. Based on the foregoing actions of Defendants, EFI reasonably apprehends an impending lawsuit on Defendants' breach of contract claim arising out of EFI's sales of its Fiery®, Splash™ and EDOX® print controllers.

35. Defendants' actions have created an actual, justiciable controversy between the parties regarding EFI's sales of its Fiery®, Splash™ and EDOX® print controllers and Defendants' breach of contract claim.

THIRD CLAIM FOR RELIEF
(AGAINST DEFENDANT COYLE)
DECLARATORY JUDGMENT OF
PATENT INVALIDITY

36. EFI realleges and incorporates the allegations of paragraphs 1 through 26.

37. Coyle has alleged that he owns the '746 patent and that EFI's sales of print controllers, including the Fiery, Splash and EDOX print controllers, infringe that patent.

38. The '746 patent is invalid for failure to comply with 35 U.S.C. Sections 102, 103 and/or 112.

39. Based on the foregoing actions of Defendants, EFI reasonably apprehends that it faces an impending lawsuit on Defendants' claim of patent infringement arising out of EFI's sales of its Fiery, Splash and EDOX print controllers.

40. Defendants' actions have created an actual, justiciable controversy between the parties regarding EFI's sales of its Fiery, Splash and EDOX print controllers and Defendants' claim of patent infringement.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff EFI prays the Court enter judgment in its favor and against Defendants as follows:

A. A declaration that EFI has not misappropriated any trade secret information belonging to Defendants Coyle or Kolbet Labs, by sales of its Fiery®, Splash™ or EDOX® print controllers or otherwise;

B. A declaration that EFI has not breached any nondisclosure agreement with Defendants Coyle or Kolbet Labs, by sales of its Fiery®, Splash™ or EDOX® print controllers or otherwise;

C. A declaration that the '746 patent is invalid and that EFI is not liable for infringing the '746 patent, by sales of its Fiery®, Splash™ or EDOX® print controllers or otherwise;

D. A preliminary and permanent injunction barring Defendants and their officers, agents, servants, employees and attorneys, and their successors and assigns, as well as those persons in active concert or participation with them who receive actual notice of the judgment, from: (a) charging EFI, its suppliers, vendors, customers, or users of the Fiery®, Splash™ or EDOX® print controllers with misappropriation of trade secrets, breach of contract or infringement of the '746 patent; and (b) from threatening to bring or bringing a lawsuit against EFI, its suppliers, vendors, customers, or users of the Fiery®, Splash™ or EDOX® print controllers for misappropriation of trade secrets, breach of contract, or infringement of the '746 patent;

E. A finding that this is an exceptional case under 35 U.S.C. Section 285 and an award of EFI's attorney fees;

F. An award of EFI's costs incurred in this action; and,

G. Such other and further relief as the Court deems just and proper.

DATED: January 8, 2002.

Respectfully,

/s/ _____
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